





## Toshiba Unit's Dealings With Soviet Betrayed Japan, Nakasone Says

By Susan Chira  
New York Times Service

TOKYO — Prime Minister Yasuhiro Nakasone accused Toshiba Machine Co. on Tuesday of betraying Japan by selling militarily sensitive technology to the Soviet Union. It was his strongest comment to date.

His remarks came on the day the Japanese minister of international trade and industry, Hajime Tamura, left for the United States in an effort to assuage American anger over the illegal sale of propeller-milling equipment to the Soviet Union. The United States contends that the sale damaged American security because it allowed the Soviet Union to make submarines quieter and thus more difficult to detect.

Speaking before the Diet, Japan's parliament, Mr. Nakasone said that in making the sale, "a Japanese company has not only damaged national defense but has also committed a crime of betrayal against the Japanese people because of its actions."

Mr. Nakasone and Foreign Minister Tadamichi Kuramatsu also suggested for the first time that they believed there was a link between the sale of the propeller-milling equipment and quieter Soviet submarines — a link that has been questioned by some defense experts, opposition politicians and journalists.

Press reports have quoted Japanese officials as suggesting that the United States was exaggerating the damage caused by the Toshiba sale. According to one senior Foreign Ministry official, opposition party politicians have complained that the Japanese government was being too conciliatory. They asserted that American companies have repeatedly violated the regulations of the Coordinating Committee for Multilateral Export Controls, known as COCOM.

On Monday, a spokesman for the Defense Agency, Masanobu Ohtsuka, said that it would be an "overstatement" to say that the sale of the propeller-milling machinery alone was responsible for producing quieter Soviet submarines.

"It is true that in the last decade, Soviet submarines have become quieter," he said. "But there are many sources of noise besides propeller sounds — engine, auxiliary pumps, the shape of the submarine itself."

Mr. Tamura and other officials say that Japan does not intend to challenge the U.S. assertion that security was damaged.

The furor over the Toshiba Machine sale prompted the U.S. Sen-

ate to propose banning imports of its parent company, Toshiba Corp. However, Toshiba's new president, Joichi Aoi, said Tuesday that the U.S. Defense Department was continuing to consider doing business with Toshiba.

Toshiba had planned to submit a bid to provide lap-top computers for the Pentagon, but a spokesman for the company said that Toshiba had not yet decided to submit a bid, given the uproar over the Toshiba affair.

Nevertheless, Mr. Aoi said that the Defense Department had very recently asked Toshiba if it could make the lap-top computers in the United States, because U.S. sanctions imposed during a semiconductor dispute with Japan require large tariffs on imports of lap-top computers from Japan.

Mr. Aoi said that, as far as he knew, there had been no change in the Pentagon's dealings with Toshiba on the lap-top computer bid.

In a related development, Wako Koei, the trading company that acted as an intermediary in the Toshiba Machine sale, disclosed Tuesday that it had resigned last month over the illegal export.

Wako Koei trades exclusively with the Communist bloc. Hiro Kumagai, a former Wako Koei employee who wrote a letter to COCOM that helped to expose the Toshiba Machine sale, has charged that such violations are widespread in Japan.

In an article that appeared in the most recent issue of the respected monthly magazine Bungei Shunju, Mr. Kumagai said that he "feels strongly" that as many as 50 companies trading with the Soviet Union have violated COCOM regulations.

He described several ways in which companies could evade the law. They included hand-carrying sophisticated semiconductors to the Soviet Union; selling restricted machinery directly to the Soviet trade mission in Japan, which then sends the goods by diplomatic cargo; breaking down large machines and exporting them separately under different contracts; exporting such machinery through third countries; exhibiting restricted machines at Soviet trade fairs and lending them to Soviet research institutes, where they can be analyzed; and camouflaging products by installing panels to hide the most sophisticated parts.

A Foreign Ministry official who is responsible for defense issues said that he believed Mr. Kumagai's charges were "a gross exaggeration."



Bob Hawke outlining his government revisions Tuesday.

## Hawke, Citing a Need For Economies, Details Government Overhaul

By Michael Richardson  
International Herald Tribune

MELBOURNE — Prime Minister Bob Hawke said Tuesday that he would streamline his Labor Party government in "the greatest single reform of public service administration that has ever been undertaken in Australia."

He announced his plans three days after winning national elections in which the size of the administration was a key issue.

Mr. Hawke said federal government departments would be combined to promote greater efficiency and save 96 million Australian dollars (\$68 million) a year.

His aim, he said, was to eliminate duplication and make government more efficient as he tried to restructure the economy and make the country more competitive internationally.

Australia's \$71 billion foreign debt is the fourth-largest in the world on a per-capita basis. Australia has 16 million people.

Mr. Hawke said 3,000 jobs would be eliminated over 12 months through attrition but that there would be no forced layoffs.

The announcement was criticized by a senior official of the largest public service union in Australia, who said the plan would create

ate centralized "super-departments."

But David M. Connolly, a spokesman for the Liberal Party, the main conservative opposition group, said reductions in the size of the bureaucracy by merging departments that provided common services were needed to achieve economies of scale.

The government has 28 departments with headquarters in Canberra and branch offices in Australia's six states and the Northern Territory. Each department is headed by a minister.

Mr. Hawke said there would be 16 cabinet ministers, each responsible for one of 16 large portfolios, and these would be supported by 14 noncabinet, or junior, ministers. The total number of ministers would be increased to 30 from 27.

The plan includes merging the departments of Foreign Affairs and Trade; Transport and Aviation; Communications; and Education and Employment and Training. The new Foreign Ministry will handle external relations, including multilateral and bilateral trade relations.

Mr. Connolly said that no more than 24 federal departments and ministries were needed. Each of Australia's states and the Northern Territory has its own governments and bureaucracies.

With Labor re-elected for an unprecedented third term, it can, under the constitution, remain in office for the next three years.

Labor's members of Parliament are to meet in Canberra next week to determine which of them will become cabinet ministers. Under party rules, Mr. Hawke, as prime minister, has the authority to allocate portfolios.

Mr. Hawke said he had made the decision to restructure the government on the advice of a public service review committee, headed by a private consultant, and after consulting with some of his ministers.

He said he was confident that the new cabinet would approve his decision and that trade unions would endorse the move.

Meanwhile, John Howard, the leader of the Liberal Party, prepared to face a challenge to his position from at least one strong contender in voting at a meeting of party members of Parliament on Friday.

Andrew Peacock, a former foreign minister who was replaced as Liberal leader by Mr. Howard in 1985, said Tuesday he would contest the leadership.

## South African Metalworkers Call Off Strike After Pretoria Declares It Illegal

JOHANNESBURG — South Africa's second biggest union called off on Tuesday a national strike by about 60,000 metalworkers after the government declared the stoppage illegal.

The National Union of Metalworkers of South Africa said the workers, mostly blacks, left their jobs at 500 factories throughout the nation Tuesday to back a claim for higher wages.

Shortly before the strike began, Manpower Minister Pietie du Plessis issued a special order extending the expired contract between employers and metalworkers' unions. That move made the strike illegal.

The union said it was taking its members to return to work until such time as the legality of the order was resolved.

Trade unions in South Africa must follow complex procedures before being able to strike. Unions may not strike when an agreement between them and management is still in force.

The National Union of Metalworkers said tens of thousands of workers were involved in sit-in stoppages and protest meetings at hundreds of factories, most of them in the Transvaal industrial heartland.

A national organizer, Peter Deantjes, said earlier Tuesday that

the government's move, but could not get to court in time to prevent possible action against strikers on Wednesday.

"The minister's conduct has resulted in confusion and a situation of possible escalating conflict and unrest," said a union official, Bernie Farnsworth.

He said the union called upon its members to return to work until such time as the legality of the order was resolved.

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the union expected support from 80,000 workers, the majority of whom voted last week for strike action.

Union sources said there had been no reports of violence or police intervention at any factory affected by the strike.

Some serious labor disputes at its vital gold and coal mines, which provide more than half of the export earnings.

About 200,000 members of the black National Union of Mineworkers, the biggest and most powerful trade union, have voted overwhelmingly in favor of a strike to support demands for substantially higher wages and improved working conditions.

The miners' union said Tuesday that a strike date had been set but was being kept secret until all members had been notified.

The metalworkers union is demanding a 50-cent hourly wage increase and a basic minimum wage of \$2 an hour.

because of the Soviet presence in Afghanistan and the Islamic revolution in Iran.

The trail, as depicted by narcotics agents and Western specialists in Turkey, begins in the fields of Iran, Afghanistan and Pakistan — the so-called Golden Crescent. The fields are guarded by the gunmen of local narcotics barons and are said to have produced 400 tons of illicit opium in Afghanistan alone over the last year.

Then, in clandestine laboratories, the raw opium is refined into heroin or into morphine base destined for further processing in Western Europe, Syria and Lebanon. At that point, the narcotics are hidden in transport trucks and begin a journey across Turkey to their destinations. Some Pakistani heroin, a specialist said, is shipped through Karachi and Indian ports.

Many anti-narcotics units operate on a belief that they can detect only about 10 percent or 15 percent of illicit trade, a specialist said, and Turkey has become a focus of efforts to halt the trade.

"Turkey has the gangsters with connections in Europe," a Western specialist said. "There's a built-in network for distribution in Europe through the many Turks there. It's the natural route."

At the same time, some topics, such as Vietnam's 1978 invasion of Cambodia and its continuing military occupation there, still remain off limits.

Most of the recent public criticism of government and party officials has centered on reports of corruption or mismanagement. Many of these have appeared in Nhan Dan, a column written by an investigative journalist who uses only the initials "NVL" in his byline.

Most readers take the author to be General Secretary Nguyen Van Linh, but Mr. Linh reportedly has said the initials stand for the Vietnamese words not va lam, or "speak and take action."

Coupled with the new emphasis on openness is concern about the concept of democratization.

A first-time visitor to Vietnam was struck by the frequency with which leading party officials, journalists and young people mentioned an increase in democracy as the next step in the campaign of renovation.

Democratization in Vietnam does not mean free elections in the Western sense. Still, in the April balloting for the National Assembly, an estimated five candidates contested every three seats and even engaged in campaign-style debates.

There are, of course, limits to the extent of openness and the degree of change.

Mr. Linh, for example, has made no indication that he will release thousands of persons still being held in "re-education camps."

## Turkey Serves as Bridge for Rising Heroin Shipments to West

By Alan Cowell  
New York Times Service

ANKARA — The agents trail the suspect truck across Turkey as far as Switzerland. Then they moved in.

As a buyer took delivery of about 50 pounds (22.6 kilograms) of pure heroin and 180 pounds of morphine base, the Swiss police, cooperating with drug enforcement agencies of other countries, arrested not only the middlemen involved in the deal, but also a suspected Turkish underworld figure sought for years in connection with masterminding illicit arms and drugs trading.

By the agents' standards, the seizure should have been a triumph and a deterrent to other narcotics smugglers.

But according to narcotics agents in Ankara, the arrest in Switzerland in February and other major seizures since then, the most recent in the Turkish town of Konya last month, seem barely to have dented a growing trade in illicit morphine base and heroin. The drugs cross Turkey from Iran, Pakistan and Afghanistan on their way to the United States and Western Europe.

"In the last year, there has been an explosion in the amount of heroin crossing Turkey," a Western specialist said. The growth, the specialist said, was attributed to the in-

crease in heroin addicts in Western Europe, now thought to number 500,000, compared with much smaller numbers in the early 1970s.

Drug traffickers, the specialist said, seem to be sending narcotics in much bigger shipments than in the past, often aboard trucks that operate under an international customs system that enables them to cross frontiers without being searched.

He added that narcotics agents had seized far larger amounts of heroin and morphine base than in the past — shipments ranging from 120 pounds to more than 300 pounds, compared with 15 pounds to 25 pounds three years ago.

The specialist said that "none of those seizures has caused the prices to rise" in Europe and the United States. That phenomenon is interpreted as meaning that available supplies have not been badly disrupted.

The wholesale price paid by heroin traders in the United States is generally believed to be around \$150,000 a kilogram, or 2.2 pounds. For example, the price in Amsterdam seized 123 pounds of heroin last year with an estimated street value of \$2.5 million, or \$44,000 a kilogram. The price goes far higher when the heroin is mixed with other sub-

stances and broken down into small packages for street sale to U.S. addicts, who are estimated to number 500,000.

The drug is derived from the gum produced when opium poppies are sliced as they ripen. The raw opium is then processed first into morphine base and then into heroin.

Turkey itself, under strong American pressure, forced peasant farmers to abandon illicit opium growing in the early 1970s. Since then, it has developed about 1,600 agents to prevent drug smuggling across its soil.

Turkish peasants are supposed to be licensed to grow poppies and may sell their produce only to state laboratories for processing into pharmaceutical morphine. The Turkish authorities impose severe penalties for heroin trafficking, including possible death sentences for processing heroin or selling it to minors.

Elsewhere, however, in unpoliced parts of Iran, Afghanistan and Pakistan, no such controls exist, Western specialists say. Turkey, because of its geographic location, provides a land bridge to the markets of the West, and its highways are used by thousands of international trucks every week.

The areas where opium is produced are largely beyond the reach of investigators from Western drug control agencies, in part

because of the Soviet presence in Afghanistan and the Islamic revolution in Iran.

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## Taiwan Ends Martial Law; 167 Set Free

Compiled by Our Staff From Dispatches

TAIPEI — President Chiang Ching-kuo formally decreed Tuesday the end of martial law, imposed by the Nationalist Party 35 years ago when it fled to Taiwan after the Communists took over mainland China.

The government also freed civilian dissidents held in military prisons and announced that hundreds of others would have their sentences commuted.

The official Central News Agency quoted Mr. Chiang as saying in a decree that martial law would be ended at midnight, and followed by new security measures approved by the Legislative Yuan, Taiwan's highest law-making body.

The Defense Ministry said that 237 civilians, mostly convicted of sedition, were qualified to have their sentences commuted. Those who had received life sentences would have their terms reduced to 15 years.

The statement said 23 prisoners were released Tuesday and 144 others had been released earlier. Seventy others, although given reduced sentences, would have to finish their terms.

Opposition politicians welcomed the move, but some said the government should have freed them all instead of reducing their sentences.

Interior Minister Wu Po-hsiung said Tuesday, "The lifting is a major event in Taiwan's history. It is a big step in our march toward constitutional democracy."

"We are looking at the government's next move cautiously," said one dissident leader, Kang Ning-hsiang. "The political environment is still largely unclear now."

Martial law was imposed in 1949 when the Nationalist government and about two million supporters fled to Taiwan after losing a civil war to the Communists on the Chinese mainland.

Mr. Chiang first announced in October that he would lift martial law, which barred the formation of new political parties and allowed civilians to be tried by military courts on sedition and other charges.

In September, dissidents formed the Democratic Progressive Party, which went on to receive 21.6 percent of the vote in December legislative elections.

Under the security measures, new political parties are permitted, but they must be anti-Communist and support the unification of Taiwan and China. The provision is aimed at discouraging the independence movement supported by many native Taiwanese, who constitute 85 percent of the island's 19.5 million people. (AP, Reuters)

## WORLD BRIEFS

### 9 Top Ukrainian Officials Leave Posts

MOSCOW (AP) — The Ukrainian premier, the chief of the KGB and at least seven other top officials have been removed in what appears to be a wide-ranging shake-up of the republic's Communist Party and government hierarchy.

The chief of the party, Vladimir V. Shcherbitsky, 69, a member of the Politburo, appeared to survive the upheaval in the country's second most populous republic, but the departure of several of his key aides suggests he may have suffered an erosion of his base of power. Mr. Shcherbitsky is one of the last of the Soviet old guard to retain his Politburo seat.

Pravda Ukraine said Sunday that the premier, Alexander P. Lyashko, 71, was sent into retirement after 15 years in the post and replaced by the planning chief, Vitaly A. Masol. Among eight others sent into retirement was the KGB chief, Stanislav M. Mukha, who the newspaper said was removed "in connection with his discharge from active military service."

As with many of the changes announced, it was not clear whether his departure was voluntary.

### Soviet Assails Western Plan on Arms

VIENNA (Reuters) — The Soviet Union said Tuesday that a long-awaited Western proposal on disarmament at the European security conference had major failings, but said it formed a basis for negotiation.

The Soviet ambassador, Yuri B. Kashelev, said that the Western proposal presented Friday "could result in simply freezing force levels in Europe." He added: "This is insufficient. We propose drastic reductions."

But Mr. Kashelev said the presentation of the Western proposal meant "a basis has been created for drafting the military-political section of the concluding document of the Vienna meeting." The Conference on Security and Cooperation in Europe, which began in November, is expected to end late this year.

### Dissident Prelate Sees Vatican Official

VATICAN CITY (Reuters) — Archbishop Marcel Lefebvre of France, who has threatened to defy the Vatican by consecrating his own bishops, met the official in charge of monitoring doctrinal orthodoxy Tuesday for talks on their troubled relations.

A joint statement issued by the archbishop and Cardinal Josef Ratzinger, prefect of the Congregation for the Doctrine of the Faith, said the meeting took place "in an atmosphere of open and sincere dialogue." It said the talks centered on relations between the Holy See and Archbishop Lefebvre's dissident order, the Society of Pius X, which has more than 200 priests in 28 countries. Both parties agreed not to make any further statements, it added.

On Sunday, the archbishop said he intended to discuss with the cardinal his plans to consecrate several bishops, a step punishable by automatic excommunication (from the Roman Catholic Church) if undertaken without Vatican approval. Archbishop Lefebvre has criticized the church for being too liberal and rejects the reforms of the Second Vatican Council. He was suspended from all priestly duties in 1976.

Policemen restrained demonstrators in Jerusalem who protested a visit Tuesday by a Soviet delegation and demanded freedom for Jews wanting to leave the Soviet Union.

Soviet Rejects Reciprocal Israeli Visit

MOSCOW (Reuters) — The Soviet Union will not permit an official Israeli visit in return for the current trip to Israel by a Soviet consular delegation, a Foreign Ministry spokesman said Tuesday.

"We see no grounds for a reciprocal Israeli visit," said Boris Pyadysh, a ministry spokesman. "There are no permanent Israeli residents in the Soviet Union, and there is no Israeli property here."

An eight-member Soviet team arrived Sunday in Israel on the first official trip by a delegation from Moscow in 30 years. The group is scheduled to discuss issues concerning people in Israel who hold Soviet passports and to review the status of Russian Orthodox Church property in the country. Israel has raised the possibility of a return invitation.

U.S. May Ask Airline Quality Reports

WASHINGTON (AP) — Two senators said Tuesday that legislation is needed to force U.S. airlines to report publicly on the quality of their service, despite an offer by some carriers to submit the information voluntarily.

The Senate Commerce, Science and Transportation Committee drew up a bill to force the airlines to issue public reports on delays, canceled flights, lost baggage and "bumped" passengers. The panel approved legislation by voice vote. Thirteen airlines, hoping to head off stringent requirements, offered Monday to submit similar monthly "customer information reports" to the Transportation Department.

Traveler complaints to the department about airlines jumped from 962 in June 1986 to 5,759 last month. Senator Wendell H. Ford, Democrat of Kentucky, said that travelers have become "very frustrated with the current state of air travel, dependability and performance." Senator John C. Danforth, Republican of Missouri, said: "I think we should go ahead and legislate."

Passengers in Las Vegas evacuated a Northwest Airlines jet at McCarran International Airport when they smelled smoke after boarding. The pilot said later the problem was caused by an air conditioner.

Italy, alarmed by the number of road deaths at the start of the vacation period, ordered more police patrols on highways Tuesday and a suspension of road repairs for the summer. The Interior Ministry reported 314 deaths during the first 12 days of July, compared with 718 in all of July and August last year.

Tunisia and Libya have resumed air and communications links severed when Tunis broke diplomatic relations with Tripoli nearly two years ago. The diplomatic rift occurred after a mass expulsion by Libya of Tunisian workers.

House Narrowly Backs Smoking Ban On Most Flights but Bill Faces Hurdles

WASHINGTON — The House of Representatives has voted to ban smoking on all domestic airline flights of two hours or less.

The ban, approved Monday night, 198-193, was contained in an amendment to an \$11 billion transportation appropriations bill for fiscal 1988.

The ban would affect 80 percent of all U.S. airline flights, according to the Federal Aviation Administration.

However, the amendment must still be adopted by the Senate, where it will face opposition from several powerful lobbies. In addition, the Reagan administration has threatened to veto the \$11 billion appropriations bill as too expensive.

The House action was the first time either house of Congress had voted on the issue.

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## AMERICAN TOPICS

A Booming Business  
In Expert Witnesses

The business of being an expert witness is growing explosively. The New York Times reports. People with expertise on such subjects as bicycle mishaps, bottle or battery explosions, hot-air balloon crashes or radiation accidents have joined tens of thousands of doctors, university professors and engineers in the expert witness industry. Their rates range from \$50 an hour for a law enforcement expert to more than \$10,000 a day for a plastic surgeon.

"A lot of people are making themselves available for this kind of work," said Gary E. Melickian, a partner in the Expert Witness Network, a Washington clearinghouse that provides lawyers with the names of experts who are willing to testify in court.

The Technical Advisory Service for Attorneys in Fort Washington, Pennsylvania, was established in 1961 and reports an annual growth rate of about 15 percent. It lists about 10,000 experts in 4,000 categories. Law journals are carrying five times as many entries for expert witnesses today as in 1970.

The demand has increased along with the number of civil lawsuits, the size of jury awards and the role of technical information in such suits. But legal scholars and judges are uneasy about the influence and cost of expert witnesses. Several legislative decisions and court rulings in the past year have tightened restrictions on employing them.

## Short Takes

"Divorce — the Magazine for People Starting Over," will be on U.S. newsstands in mid-October at \$4 per copy. It will be published six times a year, with an initial press run of 100,000. The publisher is Daniel Hirsch, a lawyer, who says that while undergoing his own divorce he found that books on the subject were too long and dry and articles in professional journals too technical. Articles in the first few issues of the new magazine

will include "How to Hire — and Tame — Your Lawyer," "When Everything's in Both Names," and "Mixed Blessings for Children of Divorce (Two Birthdays, Two Christmases, Two Everything)."

Problems with the new B-1 bomber are gradually being resolved, according to Colonel Albert D. Jensen, commanding officer of the B-1 wing at Dyess Air Force Base, Texas. Fuel leaks have been all but stopped, he told The New York Times. Missiles that once tumbled after launch are being shielded from the B-1's jet stream so that they drop properly. An unreliable terrain-following system is being replaced. Mechanisms to prevent stalls and stabilize flight controls are being tested. A device to check on operating systems still registers false alarms, but less frequently. However, Colonel Jensen estimated it would take another 16 months to integrate the components needed to jam enemy radar.

The Napa Valley Wine Train will start offering gourmet trips this fall across California's premier wine-growing region. "We have specialists scouring the nation for a dozen Pullman-style parlor cars from the 1920s," said the new company's president, Jack McCormack. Passengers will make wine-tasting stops at vineyards along a 21-mile (34-kilometer) route and dine on gourmet meals aboard the train.

An old ailment of business executives has a new name: briefcase elbow, chronically sore from carrying too-heavy briefcases for too long. The complaint is similar to tennis elbow. Dr. David Hough, a sports medicine specialist at Michigan State University, suggests such preventive measures as arm exercises and lighter loads. For those already afflicted, he prescribes icing the arm, wrapping the elbow, taking aspirin and carrying the briefcase with the other arm.

—ARTHUR HIGBEE

## To Friends, Deaver Lost Sight of Limits of Power

Last of two articles  
By Marjorie Williams  
Washington Post Staff Writer

WASHINGTON — Shirley Moore, who spent two years in Washington as Michael K. Deaver's secretary before returning to California, speaks with the perspective of a continent's distance.

Of course Mr. Deaver went through changes when he was deputy chief of staff in the White House, she said. "It would be very hard for anybody in the world to work there and not change."

In 1981, as the national press corps began to sort out the new administration, Mr. Deaver was identified as "the keeper of the body," the ultimate loyal aide.

Laurence I. Barrett, a Time magazine political correspondent, parodied the descriptions in his book on the early Reagan White House, "Gambling With History." Mr. Deaver, Mr. Barrett wrote, was "a glorified servant to the Reagans, with some doubt attending the adjective."

Without greatly changing Mr. Deaver's role, President Ronald Reagan's election increased his power exponentially. It is one thing to always be able to talk to the governor or the candidate; it is another to control access to the president of the United States.

From the start Mr. Deaver and his wife, Carolyn, were mandatory guests in Washington and in all sorts of circles — political, diplomatic, media and what society-watchers call Establishment Washington.

Within the first year, Mr. Deaver, who had talked at first of returning to California, was hooked on Washington.

Mr. Deaver, who went on trial this week on five counts of perjury, declined through his lawyer to be interviewed for this story.

He was indicted on charges of lying to Congress about his lobbying activities after leaving the White House, but the grand jury

him more in sorrow than in anger. These are people who have clashed with him. They will tell a wicked story or two about him, but they are loath to say anything too nasty. "You see, I don't think that basically Mike Deaver's a bad man," said the former White House political director, Lyn Nofziger.

• In the third group are people who like — or liked — Mr. Deaver, but who say his head was turned

\$60,662 a year. "I have no money left," he said.

By coming to Washington, the Deavers had stepped on a financial treadmill that dictated new expenses. "He had a much better life-style [in Sacramento] than he had here as an assistant to the president," said a former Deaver deputy, Joseph W. Canzeri.

By 1984, Mr. Deaver's desire to leave had begun to show in his

It is also possible that Mr. Deaver had an even more profound misunderstanding of his business. It is possible that he did not know he was a lobbyist and not a public relations man.

"I think Mike Deaver still thinks he created a PR company," said a former colleague. "I think he didn't know the difference between a traditional PR company and what he put together."

William F. Sittmann, a former White House aide who left with Mr. Deaver and is still a vice president of Michael K. Deaver & Associates, described the firm's start-up:

"Things just started to happen," he said. "We were getting involved in trade, and I knew nothing about trade, so then we just started hiring other people." Mr. Sittmann said.

Clients who believed that a former official's inside knowledge could help them were defining the nature of Mr. Deaver's business.

As John P. Sears, a Washington lawyer who rivaled Mr. Deaver for control of Mr. Reagan's 1980 campaign, put it: "You have to have enormous discipline to resist what happens when you leave government."

**'I think Mike Deaver still thinks he created a PR company. I think he didn't know the difference between a traditional PR company and what he put together.'**

—A former colleague

rejected the accusation that he violated ethics statutes governing the lobbying activities of former officials.

On Tuesday, the judge hearing the trial continued to hold jury selection behind closed doors.

Beyond the men and women who do not like Mr. Deaver, there are three kinds of people who will talk to a reporter about him:

• The first love and admire him. They speak of him as warm, irreverent and funny, a man incapable of guile. Pat Jacobson, of Fort Worth, Texas, who has known him for 20 years and who headed the 1980 Reagan-Bush campaign in Texas, said: "Mike is the most loyal man I ever met. I adore him."

• The next group will talk about "360 degrees," as one observer put it, by the bush.

"He fell in love with the beautiful people," said one who had occasion to observe Mr. Deaver over his four and a half years in the White House. "He began to believe that life begins and ends in Georgetown and Martha's Vineyard. He had dined with the Queen. He had chatted with the pope. He forgot what staff people in the White House always seem to forget: It ends. It always ends."

Every six months Mr. Deaver told Shirley Moore that he was determined to leave the White House in six months. His restlessness made headlines in December 1981 when he said that he could not afford to live in Washington on

work, some say. As the re-election campaign heated up, Mr. Deaver, who had worked 14- and 16-hour days, began working fewer hours, according to former colleagues.

"By 1984, even though he had been talking about leaving for a long time, something had changed and we all knew this time he really meant it," a former colleague said. "He was there in body, but not in soul." He left the White House in May 1985.

A former colleague discussed what many say was Mr. Deaver's fundamental mistake: "It was an unwritten rule that everybody knew that it was O.K. to be a power broker, but one of the things that made you a power broker was that you didn't advertise it."

care, the health insurance program for the elderly and disabled.

In some areas, such as raising taxes to help reduce the budget deficit, Mr. Reagan can block Congress with a veto. In others, such as in trade or catastrophic health insurance, he can use veto threats as leverage to get a bill more to his liking.

"It's not the old kind of high-profile confrontation" that characterized Mr. Reagan's dealings with congressional Democrats in the first six years of his administration, said Senator James R. Sasser, Democrat of Tennessee.

"Instead," he said, "it's a low-profile, low-intensity kind of trench war of attrition that goes on day after day."

Largely as a result of the Iran-contra affair, said Representative Leon E. Panetta, Democrat of California, "the president has become more contentious and partisan, and Congress responds by becoming more contentious and partisan. The result of this kind of situation is stalemate."

## 'Trench War' Blocks Agendas of Reagan, Congress

By Helen Dewar  
Washington Post Staff Writer

WASHINGTON — Relations between President Ronald Reagan and Congress are at their lowest point, producing what one Democratic legislator calls a "trench war of attrition" in which each side blocks the other, jeopardizing the legislative agendas of both.

Caught in the cross fire is everything from taxes, spending and budget revision to major foreign policy and national security issues, including the president's Strategic Defense Initiative and Democratic proposals for arms control.

The Iran-contra affair, the Democrats' recapture of the Senate in last year's elections and the approach of the presidential and congressional contests next year have combined with other forces to create a climate of confrontation that is greatly slowing the work of both the White House and Congress.

"I've never seen things as stalemated as they are now," said Senator Dale Bumpers, Democrat of Arkansas.

Also at stake are the Democrats' hopes of persuading the American people that they can govern effectively, as well as Republican efforts to assure that Mr. Reagan's legacy continues after he leaves office.

It is possible, some suggest, that both sides may fail.

What is likely, they say, is that little will be accomplished until about Oct. 1, when Congress will be faced with a deadline to provide spending and borrowing authority for the new fiscal year.

Congress and the White House can then be expected to engage in a showdown that will resolve — to one side's satisfaction — nearly every contentious issue that has faced the 100th Congress since it convened in January.

In the meantime, legislators are braced for what Senator Nancy Landon Kassebaum, Republican of Kansas, calls a "chess game in which the question is who can check whom."

Mr. Reagan's legislative blueprint for the year was relatively modest. Democrats, emboldened both by their Senate victory and by Mr. Reagan's setbacks in the Iran-contra affair, have been able to ignore most of it.

Even a program to protect Medi-

care recipients against the high costs of care for catastrophic illnesses, proposed originally by the administration, has drawn preliminary warnings of a veto because Democrats have added their own ideas. They include subsidies for outpatient drug care under Medi-

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## GULF: Weinberger Outlines Rules

(Continued from Page 1)

before whether U.S. forces would attack the missiles, which have a 50-mile (80-kilometer) range, before they could be launched or whether they would be attacked only in response to a firing.

But Mr. Weinberger made it clear that U.S. forces would not wait to be struck first.

"Nobody's talking about preemptive strikes," he said. "What we're talking about is responding to evidence of hostile intent, and that is an important distinction to bear in mind. But it is important, also, to know that we would not contemplate waiting until we actually received a hit."

Asked if mere deployment of the missiles would constitute hostile intent, the defense secretary said it would not.

Iran has fired its Silkworms in tests and briefly deployed one of the truck-mounted weapons this month. The missile then was taken off its launcher without being fired.

"I call a pre-emptive strike something that you decide [when] you see a Silkworm possibly being installed and, without any activity at all on anybody's part, you go in and bomb it," Mr. Weinberger said.

But if Iran showed "imminent capability of firing the missile at one of our ships or one of our escorted ships, that is evidence of hostile intent," he said.

"It could be before they fired, yes," he said. "We want to be sure that we take effective action in time so that we don't simply retaliate."

In another development, Pentagon officials said Saudi Arabia had agreed to use its four minesweepers to search near Kuwait, where almost 20 mines were found by a U.S. Navy team about two weeks ago.

Because of the Saudi move, officials said, the Pentagon canceled preparations for five Navy MH-53 minesweeping helicopters supported by 200 U.S. personnel to be sent to Kuwait to ensure that the channel to its main port is kept clear of mines. An 18-man U.S. Navy mine warfare team has been in Kuwait for a month.

**Iraqi Raids Reported**  
Iraq said its aircraft launched raids Monday night and early

Tuesday on Tehran's offshore oil facilities in the Gulf, Reuters reported from Baghdad.

A High Command communiqué said al-Farasiyah Island in the northern Gulf was hit for the second straight day, while planes also raided the Rakash oil field in the southern Gulf.

An earlier report said Iraqi jets on Monday night attacked a holding area for tankers waiting to load at Iran's Kharg Island oil terminal in the northern Gulf.

Shipping sources said Iran used al-Farasiyah Island as a base for Swedish-built fast launches to attack shipping, mostly loading and unloading in Kuwait, on the western side of the waterway.

The sources believed the Iraqi planes had attacked fuel storage tanks for the launches.

The Rakash oil field, northwest of the emirate of Abu Dhabi, was believed to be operating at a low output.

Sources said the fast launches, armed mainly with cannon, machine guns and rocket-propelled grenades, were also based around the Rakash field, primarily to defend the facilities there.

Baghdad also reported hitting a large naval target on Monday, but there was no independent confirmation.

## INQUIRY: McFarlane Contradicts North's Testimony

(Continued from Page 1)

asserted that he had been offered a bribe of a million dollars by an Iranian middleman, Manucher Ghorbanifar, in the early stages of negotiations with Iran on trading arms for hostages.

Colonel North, testifying for a sixth day before the congressional committee, said Mr. Ghorbanifar "offered me a million dollars if we could make this prosper."

The accusation came as Senator Sam Nunn, Democrat of Georgia, was reviewing with the committee some of his testimony from last week, in which the colonel said it was Mr. Ghorbanifar who first suggested using profits from the Iran weapons sales to arm the contras.

Mr. Stokes said he was referring

Colonel North said he told Mr. Ghorbanifar the offer was "out of the question" and that "I could not, would not" accept it. He said he told the Iranian that if he pursued "those kinds of discussions... he would be out of the picture very quickly."

Meanwhile, amid Colonel North's increasing popularity with the American public, President Ronald Reagan declared Tuesday that "you won't be able to shut me up" when the hearings are over.

Representative Louis Stokes, Democrat of Ohio, told Colonel North his testimony "has been chilling and, in fact, frightening."

Mr. Stokes said he was referring

to "the entire scenario, about government officials who plotted and conspired, who set up a straw man and fall guy; officials who planned to superimpose on our government a layer outside of government, shrouded in secrecy, and only accountable to the conspirators."

"In my opinion," Mr. Stokes said, "it is a prescription for anarchy in a democratic society."

The thrust of Mr. Stokes' statements referred to Colonel North's testimony that William J. Casey, the director of central intelligence, had wanted to continue the Iran arms sales and secretly use the profits to pay for a series of covert actions worldwide. Mr. Casey died of cancer in May.

(UPI, AP)

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# Herald Tribune

Published With The New York Times and The Washington Post

## Helms's Favorite Gang

A Texas nurse named Kindra Bryan, who had gone to Mozambique to do relief work, was abducted by rebels in May. Senator Jesse Helms, a champion of Renamo, the Mozambican rebel group, took the occasion to press his campaign to induce the State Department to take up the Renamo cause.

Call the Howard University professor who is Renamo's local representative, Senator Helms told a State Department official on June 24, and "you'll get your hostage released in five minutes." Three days later, the department's Mozambique desk officer reached the professor, Luis Semedo. Yes, Kindra Bryan remains a Renamo prisoner.

More is at stake than Mr. Helms' endorsement at the hands of a group that enjoys his political favor. For almost a year, he has been conducting an "abduction" of another sort, holding up the confirmation of a veteran diplomat, Melissa Wells, as President Reagan's ambassador to Mozambique. His purpose is to defy the official policy of attempting to pry Mozambique from its earlier embrace of Marxist philosophy and Soviet alliance. For Mr. Helms it is enough that Renamo is anti-Communist. "Until you treat all freedom fighters in the world the same," he told the State Department, "you're going to have problems with me."

Since the U.S. government aids Jonas Savimbi's UNITA guerrillas in Angola, the question is asked, why not also aid Renamo in Mozambique? It is a fair point. In fact, it is a mistake to go with the guerrillas, and thereby become a partner of South Africa, in either place. In Angola, the presence of Cuban troops defending the government eventually overcame the administration's initial unwillingness to make common cause with Pretoria. In Mozambique, the absence of a Cuban factor has let Mr. Reagan keep his distance from Renamo. But his policy, though firmly supported in the State Department, is under pressure from conservative elements not just in Congress but in other executive departments. They present the recent working-level State contact with Renamo's representative in Washington as a harbinger of sweeping policy change.

Washington has worked to offer the Mozambican government more security and more development than it could expect from Moscow. The results are measurable and constitute one of the few successes for the policy known as constructive engagement. Senator Helms would throw this away by having the United States switch horses and back his favorite gang of kidnappers.

—THE WASHINGTON POST.

## North on the Ticket?

Where do the Republican presidential candidates stand on Oliver North? The television anchorman Dan Rather said that he had telegrams promoting a Jack Kemp-Oliver North ticket, and Senator Bob Dole asked at the recent Young Republicans conference in Seattle — "jokingly," a spokesman insists — "What would you think of a Dole-North ticket?" The audience, full of enthusiasm for the colonel, cheered, and most of the Republican candidates have been similarly upbeat about Lieutenant Colonel North. But we note that all references to Colonel North on the national ticket still put him in the second spot.

Vice President George Bush, because of his work on anti-terrorism policy, seems to have had closer contact with Oliver North than any of the other Republicans. He called Colonel North when the colonel was fired Nov. 25 and "wished him well," but said that he and Admiral John Poindexter should have waited the Fifth Amendment and testified before the intelligence committee. Just before the North testimony began, however, he insisted that "North is going to come out far better than some of his severest critics."

Mr. Bush's enthusiasm is exceeded, it appears, by some of his competitors. Representative Kemp, who was eagerly defending the president when the Iran-contra story broke in November, now feels that the North testimony provides stronger support for the president and the Nicaragua contra than they have received for years — an infernal

criticism, we think, of the president and of other contra aid supporters, including Mr. Kemp himself. Paul Laxalt, sen. Col. North as, in Mr. Reagan's words, "a national hero," a man who has risked his life for his country and who has provided the clearest articulation of the contra aid policy. The Reverend Pat Robertson, who was once briefed by Colonel North, phoned him after he was fired and told him he had gotten "a raw deal." As for "that little arms caper," Mr. Robertson said on his 700 Club television broadcast last winter, "North wouldn't have done anything except under orders."

Standing back and taking a more cautious stand have been Bob Dole and Pierre du Pont. As Senate Republican leader, Mr. Dole was instrumental in setting up the special Senate committee and in choosing its members. Earlier this month he described Colonel North as "a loose cannon," but, mixing the metaphor, predicted "no smoking gun." Mr. du Pont, a vehement supporter of aid for the contra, said last week that Colonel North "did what he felt was right and helping the contra is a policy I agree with." But the former Delaware governor added that if Colonel North broke the law, "he will be brought before the system of justice," and said he reserves judgment until all the testimony is in — a suitable note of caution amid the jaunty enthusiasm that risks overlooking the serious mistakes Colonel North has been convicted by his own testimony of making.

—THE WASHINGTON POST.

## Paying for AIDS Care

Every American will help pay for the treatment of AIDS patients. The question is whether society will do so with higher health insurance premiums or, via Medicaid, with higher taxes. At least for now, the better way is insurance.

This issue differs markedly from AIDS and life insurance. Life insurers cannot regularly adjust premiums, and have been abused by applicants who take out policies after learning they carry the virus. Governor Michael Dukakis has allowed life insurers in Massachusetts to test for the AIDS virus.

Health insurers deserve less sympathy when they insist on the right to test applicants and to deny coverage to those infected with the AIDS virus. AIDS patients without health insurance must first exhaust their savings, so that as paupers they can qualify for Medicaid, the government's medical program for the poor. The more humane course is to bar health insurers from testing for the AIDS virus.

Some health insurers warn that the projected cost of the AIDS epidemic will destroy their business. They cite a basic principle of insurance: People at equal risk should pay equal premiums. Carriers of the AIDS virus, being at higher risk, should not be subsidized by others. Bank clerks and trapeze artists do not belong in the same pool.

A second principle, say insurers, is that insurance cannot be bought against an event that has already become likely. A house in the path of a forest fire cannot be insured; neither should a person already infected with the AIDS virus.

These are compelling arguments — in theory. In practice, most health insurance customers are not screened or tested, even though increasingly refined medical tests could identify many different risks. Insurers do not bother to make these distinctions because most people are insured, through

employers, in groups. The group premium can be adjusted each year depending on the previous year's health costs.

Insurers concede that they are not worried about group health insurance so much as the 10 percent of applicants who seek individual insurance. Those, they say, may form a pool too small to spread the cost of AIDS. Thus the issue descends from principles to numbers. But the numbers, so far, are not persuasive. Compared with the annual inflation of medical costs, the cost of AIDS remains small. Empire Blue Cross and Blue Shield, New York's nonprofit insurer, offers individual health insurance, without testing, to all who apply. This year it expects to pay \$80 million for AIDS, less than 1 percent of its total payout of \$10 billion. Private insurers who complain about AIDS, say a Blue Cross spokesman, are crying wolf.

But the wolf is real, say the private insurers, or soon will be, with the total health insurance costs of AIDS expected to reach \$10 billion a year by 1991. Maybe, but if that is more than they can handle, their actuaries could file requests for rate increases with state insurance departments. So far none have. New York's department has now rightly joined California in denying use of the AIDS antibody test as a screen for health insurance.

The cost of AIDS could become less manageable for insurers if, for example, many employers should start to self-insure or somehow exclude AIDS virus carriers. But the insurers' fear of imminent ruin is overstated. In some states they are already forbidden to test for diseases that affect only certain groups, like sickle-cell anemia and Tay-Sachs. Insurance is about sharing risk. The cost of AIDS is not so heavy that its victims need be made scapegoats and cast out to bear their burden alone.

—THE NEW YORK TIMES.

## Other Comment

### North's Natural Constituency

Cries of "Ollie North for president" are not entirely a joke. [His language] may seem unsophisticated. It deals with concepts of duty, and freedom, and the defense of freedom. But the people Colonel North was

addressing, around his huge country, were brought up in schools where children are taught that there is nothing embarrassing about saluting the flag every morning. No wonder members of the congressional committee have been looking uneasy.

—The Times (London).

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## In Moscow, Impatience On Missiles

By Yuli M. Vorontsov

The writer is deputy foreign minister of the Soviet Union.

MOSCOW — Although the Soviet Union and the United States have come close to reaching an agreement to eliminate intermediate- and shorter-range missiles in Europe, there are still obstacles to signing such an accord soon.

The talks seemingly gained new momentum in April after the Soviet Union addressed the issues that the U.S. side had asserted were hampering an agreement. But now the momentum is in jeopardy because of new destructive conditions that the American side is trying to insert into the guidelines reached at Reykjavik.

One serious stumbling block is the U.S. insistence on the just to convert Pershing-2 missiles into shorter-range Pershing-1Bs rather than eliminating them. This could give the Americans a pretext to claim they were eliminating medium-range missiles in Europe. But the reverse process would be just as simple. Pershing-1Bs can be easily turned back into Pershing-2s within two days.

Nor does the United States want to destroy its medium-range cruise missiles in Europe. The Americans suggest now that the problem can be solved by removing their warheads or by transferring those missiles to battlefields near Europe. But that would make a phantom of the agreement to rid Europe of medium-range missiles.

Another important issue is the standing U.S. proposal that the Soviet Union should reduce and just to dismantle its missiles unilaterally while the United States monitors us. At the same time, the U.S. arsenal would remain intact, and our inspectors would not be allowed on American bases.

If any U.S. warheads are left in Europe under any pretext, it could

hardly be called a "true zero" level. I am sure Washington would make the same argument if Moscow decided to store some warheads in an East European country for its own or another country's missiles. Thus, the American insistence on keeping 72 U.S. warheads for use on West German missiles poses a serious problem.

In addition, Washington's draft agreement allows the development of new types of intermediate-range nuclear weapons, but only for the United States, while forbidding the development of a ground-launched cruise missile for us. The Americans want to deploy their remaining Pershing-2 missiles in Alaska, thus increasing the nuclear threat to Soviet territory without allowing a reciprocal threat.

We have agreed to a U.S. request that our remaining SS-20 missiles not be deployed west of the 80th meridian in the Eastern Hemisphere, thereby preventing the missiles from reaching Western Europe. Our medium-range missiles would also not be able to reach U.S. territory. So why does the United States insist on deploying Pershing-2s in Alaska?

Reports about future American and allied programs to modernize and build up nuclear arms stocks make us apprehensive. Under the guise of preventing "freedom of movement" to Western Europe, the United States is planning to increase the number of submarine-launched cruise missiles, to deploy more bombers and atomic artillery and to enhance the range of Lance missiles.

The North Atlantic Treaty Organization allies are trying to undermine the possible agreement in another way — through an endless chain of linkages. After we removed the issue of shorter-range missiles, they started to talk about tactical and battlefield nuclear weapons, then even about conventional arms and troops.

The response of Warsaw Pact nations to those linkages has been known for a long time: All existing asymmetries should be dealt with decisively through reductions by the side that is ahead to establish equal, low levels of troops and arms. Those levels should be sufficient for defense but not for any possibility to conduct offensive operations. Such issues, together with remaining tactical nuclear weapons, could be considered at separate multilateral talks.

From the Soviet perspective, all intermediate-range missiles in Europe should be eliminated.

We are ready for a "global zero" option — the elimination of all U.S. and Soviet intermediate-range weapons — provided that American nuclear weapons in the Far East are taken into account, including those in Japan, the Philippines and South Korea, and that the U.S. carrier-based force in the Pacific be removed beyond certain agreed boundaries.

The possibility for elimination of intermediate-range weapons is ripe, and we do not want to miss this chance. Why postpone it until the next U.S. administration comes to office? Nobody can guarantee that a similar opportunity will arise again.

We are convinced that the agreement on elimination of intermediate-range nuclear forces in Europe, together with an agreement on key elements of a 50 percent reduction of strategic nuclear weapons and a ban on space weapons, could provide a solid basis for a future U.S.-Soviet summit meeting. But what is needed first is a businesslike, positive American attitude toward the Geneva talks.

Our impression is that our negotiating partner cannot decide what is the proper course. The remaining obstacles can be easily overcome once America finds the will to do so.

The New York Times

## OPINION

# Germany Holds Tight to a Drifting West

By Christoph Bertram

HAMBURG — There was a time when those committed to European progress could welcome the fact that Frenchmen were worrying about Germany. After all, the fear that the neighbor across the Rhine might shift toward neutrality, however unjustified, at least prompted greater readiness in Paris to work more closely with Bonn.

In the early 1980s, when West Germany was shaken by the vehement debate over Euromissiles, France, under President François Mitterrand, overcame its residual Gaullist inhibitions and sought to strengthen West Germany's links with the West through closer cooperation, even on nuclear matters and defense. The most obvious fruit of that period will be the joint maneuvers this fall in Bavaria of the French *Force d'Action Rapide* and German forces.

Even the more suspicious Frenchmen, however, subsequently discovered that there never had been a real threat of West German neutrality. When the Bonn parliament in November 1983 voted to deploy the Pershing-2 and the cruise missile on West German territory, much of the public protest collapsed. So the sense of urgency for building a stronger French-German entente receded. Politics went back to business as usual. In Paris, attention turned to the coming elections, and in Bonn, consolidating public finances was regarded as more important than consolidating French-German cooperation. Since then, much onerous but little progress has been registered in the relationship between the two countries.

But the old, fashionable fear of Germany drifting eastward is apparently still alive and kicking in the French political saloon. Unfortunately, it no longer serves as the incentive for closer cooperation but rather as a justification for old-time Gaullist religion. At least this is the message that Michel Jobert, the former French foreign minister, conveyed in an article published in the International Herald Tribune ("Now Comes a German Swing to the East," July 8). The constructive suspi-

Even the neutralist Greens have called on Bonn to renounce any notion of German reunification.

national unity, West German editorial writers and politicians have emphasized, practically in unison, that the democratic freedom of West Germany is much more important than national unity for all Germans. The only truly neutralist party in the spectrum of West German politics, the Green party, has stood out by advocating that Bonn formally renounce any notion of reunification and change the constitution accordingly.

The problem is not the fantasy of a West German swing to the East. It is that, if nothing is done to move West German political unity forward, the Western framework in which West Germany has found its place will gradually but surely disintegrate — to the detriment of West Germany above all, but also of the rest of Europe.

What is worrying is Euro-fatigue, both in Bonn and Paris. There is too little realization in Bonn that

West Germany, in order to ensure its security and prosperity, must invest in the political future of Western Europe. True, all the major parties in Bonn declare themselves devoted to West European unity. But when it comes to the crunch, the firm vote or the next local elections are always more important than the future of Europe. In this respect, too, West Germany has become a normal country.

There is also inertia in France. French politicians are busily preparing for next year's presidential elections. They have little time, and even less vision, to build the future political framework for Europe. Yet France has always been the country best equipped to launch a European initiative. Now it lacks both the will and the perspective. Instead, it is tempted to make a virtue of inadequacy by pretending that inertia, far from being a mistake, is the best policy. For it permits France to remain true to her Gaullist calling, and free of any entanglement with the military integration of NATO or the neighbor to the east.

If such thinking should become respectable in Paris, the danger is not that Germany will, as Mr. Jobert puts it, "go its own way in *Mittel Europa*." There is no such desire in West Germany today. Rather, the risk lies elsewhere: West Germany, in a decaying Europe, will be a state adrift, not by choice but by circumstance.

To remain anchored to the West, we Germans will, of course, have to make efforts of our own. But we will also need the support of our friends. The only condition under which help from the West might become self-sustaining is if the governments to which he appeals should share his suspicions and follow his shortsighted advice.

The writer is diplomatic correspondent for the weekly *Die Zeit*. He contributed this comment to the International Herald Tribune.

## Gulf: An Unlikely Pair Comes Knocking at the UN

By Stephen S. Rosenfeld

WASHINGTON — Beneath the Reagan administration's plan to take Kuwaiti tankers under American wing, a broader, more political and more positive Gulf policy is struggling to get out. The interesting and ironic thing about it is that an administration described in both friendly and critical rhetoric as determined to assert American power on its own is moving to a policy based increasingly on working through and with the United Nations.

This comes about not simply through the frustration of American initiatives but, in the first instance, through an unusual overlap of short-term Soviet and American interests.

The two superpowers are ready to temper their fundamental rivalry for Third World regional influence to a point to achieve their separate ends: to calm the Gulf, to hold or rebuild a relationship with both Iran and Iraq, and in particular to ensure that a rampant fundamentalist Iran does not win the war.

But this is not the only reason the Reagan administration goes to the United Nations. In a key aspect of superpower competition in the Gulf, Moscow suddenly has an ad-

vantage. It is in touch with both sides. It arms Iraq and talks with Iran. But Washington is in touch only with Iraq. Before a nervous Washington looms the specter of another "Tashkent" — a unilateral mediation of the Iran-Iraq war similar to Moscow's mediation of the 1965 India-Pakistan war.

Long Soviet settlement of a war in an area of traditional Western dominance is as unwelcome to Washington as, well, as to any American mediation of the Arab-Israeli dispute now is to Moscow. Better to fold Moscow into a UN approach.

Why, then, does Mikhail Gorbachev not proceed with a second Tashkent? Because the Soviet reach is not all that great and because the Kremlin wants to defuse the current crisis lest the United States use it to achieve "long-harbored plans" of building up its military presence in a region on the Soviet doorstep. Moscow's latest proposal to have all non-Gulf states withdraw their warships is not serious. They did, and a small new fleet, we and a long Western predominance. But we should

not altogether dismiss Soviet strategic anxieties. America is seeking new landing rights, bases and so on. It is, however, no sudden conversion to a philosophy of liberal internationalism that finds a conservative administration, one supposedly given to "global unilateralism," knocking at the UN's door. It is hard-headed national interest, and a touch of desperation.

The Secretary of State George Shultz is to call the U.S. vote at the Security Council this week for a resolution appealing for a cease-fire and a negotiated end to the Iran-Iraq war. The Kremlin is aboard, as are the other council members with a veto.

No one expects him to buy this. The ayatollahs remain resentful of the council's past pro-Iraq stance, though the council figures to start making amends by setting up an inquiry into the origins of the war. Tensions of power, misrepresentation and self-interest in the case of the United Nations. While he is at it, he might make sure that his government, which lags unconscionably on its UN dues, pays up in full.

The Washington Post

putting the resolution into effect. That Javier Pérez de Cuellar has worked hard to make himself acceptable as an interlocutor in Tehran supports a cautious hope that the Iranians will not give their usual brutal rebuff to a council decision.

The U.S. government would like to be able to threaten Iran with an arms embargo if, as expected, Iran rejects the council call for negotiation and if Mr. Pérez de Cuellar fails to secure support at least for a halt in the fighting. But it seems that an embargo remains a long shot. Too many countries sell arms to Iran or have political hesitations.

All this leaves President Reagan moving toward the reflagging. My sense is that having started it, he should go through with it and meanwhile try to use the new dynamic of joint Soviet-American urgency to switch the focus off the navigation issue, which is a diversion, and to bear down on getting something political going through the United Nations. While he is at it, he might make sure that his government, which lags unconscionably on its UN dues, pays up in full.

The Washington Post

## At Least We Know When Ollie's Lying

By David S. Broder

BEAVER ISLAND, Michigan — Ollie North was not Topic A here on this blessed day, but he finished a respectable third. The unusually warm, muggy weather and the absence of the normal frostbite symptoms among those who swam in the generally arctic waters here atop Lake Michigan were more discussed at Pat and Joshi's wedding dance.

But Colonel North did penetrate the cocoon of indifference in which the relaxed folks here usually wrap themselves to keep outside affairs from upsetting their revels.

He did well, too. A lady who lives next to the parish hall, and is thus attuned to the crosscurrents of opinion in the thriving metropolis of St. James, said that so far as she could judge, the people here "would like to elect Ollie president, just as soon as he's out of jail."

The comment was made without a hint of irony. And her explanation was equally straightforward: "We respect people in Washington to lie to us. At least, he tells you when he is lying and when he isn't."

So in 1980 they turned to Ronald Reagan who, they perceived correctly, spoke with conviction and had strong beliefs. Public belief in Mr. Reagan's believability was always stronger than support for some of his policies. It was sufficient to keep him winning most of the policy battles until the Iran-contra affair gave most Americans an example of leadership that they simply could not swallow.

For the second time in seven years, voters' disillusionment with their president and disapproval about economic prospects searched the television screen for a hero. And here came Oliver North, Lt. Colonel North. North is no more than the summer replacement for two big stars who failed to hold their early ratings. You know in your heart that he is a lesser talent than either of them.

Mr. Carter promised grandly never to lie. Colonel North promises that he will not lie — unless he has to, to protect a covert operation, keep a secret from Congress or carry out an order he "assumes" the president gave.

Mr. Reagan espoused convictions that made sense to the American people. Lower taxes, a stronger defense and a balanced budget were attractive goals, even if they seemed im-



"Sir, I did not buy my shredder — government employees are issued them, by the tens and dozens." — Lieutenant Colonel Oliver North.

He was for and against so many different measures, at different times, that people decided, perhaps unfairly, that he was a weakling.

So in 1980 they turned to Ronald Reagan who, they perceived correctly, spoke with conviction and had strong beliefs. Public belief in Mr. Reagan's believability was always stronger than support for some of his policies. It was sufficient to keep him winning most of the policy battles until the Iran-contra affair gave most Americans an example of leadership that they simply could not swallow.

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Mr. Reagan espoused convictions that made sense to the American people. Lower taxes, a stronger defense and a balanced budget were attractive goals, even if they seemed im-

plausible in combination. Colonel North also has convictions. But they are things most Americans clearly do not want to do: sell arms to Iranians, or support an effort to overthrow the Sandinist government in Nicaragua.

Both the credibility and, convictions American citizens in their leaders have been discredited radically by the nation's experience with Mr. Carter and Mr. Reagan. The American people feel like they've been down so long. Colonel North looks like up.

If the colonel is an accurate symbol of where the United States is today, then he tells us a lot about the kind of president Americans will probably choose next year. He will

be someone who emotionally displays his capacity for conviction, not someone who exhausts his good will explaining exactly what he has done or intends to do. And he will be someone who persuades the public that he is not like all those Washington politicians, so he will not lie to them, at least, all the time.

He will be someone, in short, quite unlike those men now regarded as the best bets in either party. Not someone adorned with political-governmental credentials, but someone who believes enough to make Americans, at least for a moment, suspend their disbelief.

The Washington Post

## IN OUR PAGES, 75 AND 50 YEARS AGO

### 1912: His Oratory Fails

NEW YORK — The U.S. Senate has unseated William Lorimer, expelling him (on July 13) by a vote of 55 to 28 on Senator Les's motion, declaring that corrupt methods were employed in his election, and asking that it should be pronounced invalid. The vote followed a three-day speech by the accused Senator, who employed all the flamboyant and theatrical devices common to high-pitched American oratory. Mr. Lorimer has long been at bay. For two years he has not only been fighting charges of corruption in obtaining his election as Senator from Illinois, but has been hurling himself against the public opinion of the country, which from the first decided that the charges were true. Amounts varying from \$5,000 to \$10,000 were stated to have been paid to Illinois legislators of both parties for voting for Mr. Lorimer.

### 1937: Soviets Fly to U.S.

LOS ANGELES — After smashing all long-distance non-stop aviation records by flying approximately 6,700 miles, the second Soviet crew of open-of-the-world airmen were landed in a cow pasture near San Jacinto, 90 miles from Los Angeles, at 5:30 A.M. Pacific time (on July 14) by landing glider tanks. They had taken off from Moscow (on July 12). Mikhail Gromov, chief pilot, and his two companions added more than 1,000 miles to the long-distance record. The three men had been in the air more than 62 hours. The airmen said they tried to find their way to San Diego through a heavy fog, but sudden leak in their gas line forced them to search for a suitable place to land at San Jacinto. This North Pole flight, like last month's flight from the Russian capital to Vancouver, was made in a monoplane.



## OPINION

The 'Loony Left' Blunders  
On How to Help the Koreans

By Charles Krauthammer

WASHINGTON — A quiz: Who is the author of the "Democracy in South Korea Act of 1987" Roh Tae Woo, chairman of the ruling party in South Korea, who dramatically ascended to virtually all popular demands for democracy? President Chun Doo Hwan, who backed up Mr. Roh and has promised a democratic transition?

No, the "Democracy in South Korea Act" is the work of four U.S. senators (Kennedy, Kerry, Harkin and Mikulski) who, on June 18, in the midst of the South Korean riots, introduced a bill to bring the blessings of democracy to South Korea by means of a range of American economic sanctions.

The legislation was stillborn. It was never passed, and by the time it would have gone into effect, the dictatorship had already pledged to dismantle itself. But the bill remains: a curiosity, a historical artifact of Democratic liberalism circa 1987. And for future legislative archaeologists, it illustrates perfectly three of its enduring characteristics:

First, a touching and grandiose belief (consider only the name, the "Democracy in South Korea Act") in the power of the United States to redeem the politics of benighted lands by means of well-intended resolutions of Congress. Second, an unerring resort to a single instrument — economic sanctions — as the solution to foreign-policy conundrums. And third, a very mean-edged partisan style.

When Senator Edward Kennedy introduced his bill, he denounced the administration's "contempt for the struggle for democracy in other lands," adding, "We have learned to our regret in Congress that quiet diplomacy in this administration means no diplomacy." Within 12 days, Mr. Kennedy had to eat his words. Quiet diplomacy had now turned into "effective diplomacy" which, Mr. Kennedy was forced to concede on June 30, had helped bring about the near-miraculous outcome in Seoul.

But Mr. Kennedy's complaints were ill-timed 12 days earlier, even before events refuted him. "The secretary of state," Mr. Kennedy had charged, "instead of forthrightly calling for steps toward democracy, urges restraint and tilts toward the regime." Wrong on all counts. Secretary George Shultz did call for steps toward democracy. He did not tilt toward the regime. And calling for restraint while riots are taking place in 12 cities is hardly an offense.

Moreover, Mr. Shultz had called for steps toward democracy long before the student riots provided a backdrop for grandstanding. On Feb. 6, Assistant Secretary of State Gaston Sigur delivered a speech calling for Koreans to begin "permanently civilizing" their politics (that is, for an end to military rule) and urging a transition to "a more open and legitimate political system."

The contempt-for-democracy charge is

a particularly hammy rap because, whatever its other virtues (now being broadcast live on national television), Reagan foreign policy under Mr. Shultz has taken the notion of democratization very seriously. Perhaps more than anyone since Woodrow Wilson, Mr. Shultz has attempted to make the promotion of democracy central to American policy in what is now called the Third World.

The policy is twofold. The Reagan Doctrine pledges American help to those trying to overthrow Communist dictatorships. What has been called the corollary to the Reagan Doctrine pledges American help to those trying to democratize non-Communist, often pro-American dictatorships.

The latter is not a theoretical exercise. In 18 months, the United States has had to move decisively in Haiti, the Philippines and South Korea. It is now challenged again in Panama, where the administration finds itself arrayed against the current dictator. For its efforts, the administration has earned a stonking of the U.S. Embassy in Panama City and an ostentatious tête-à-tête between Panama's dictator, Manuel Antonio Noriega, and his Nicaraguan counterpart, Daniel Ortega Saavedra. They jointly denounced U.S. interference in the internal affairs of Central American countries.

Interfering in others' internal affairs to promote democracy is not an easy sell domestically, either. On the one hand, some conservatives argue that a zeal for democracy can only destabilize friendly countries. The answer is simple: You do not blindly threaten or weaken regimes where there exists no democratic alternative. What the United States can do, and has done with fair success in three countries, is to act decisively in favor of democratic forces in a crisis, when the situation is fluid and forceful diplomacy can be effective.

Yet liberals like Mr. Kennedy complain when the U.S. government does not resort reflexively, at the drop of a riot, to punitive measures, invariably economic and often designed for their costlessness (to Americans). Indeed the "Democracy in South Korea Act" had the net accidental virtue of imposing barriers to Korean exports, something, hometown protectionists could be counted on to appreciate.

Nonetheless, even capping Kennedy's perform a service. They allow a Gaston Sigur to go to South Korea and say to the generals that if they do not do something to accommodate him, they may soon have to face the loony left in Congress. The commentator Morton Kondratieff calls this playing the "bogymen" role. Bogymen make for a fine political opposition: irresponsible, scary and thus useful. Turn government over to them, however, and you have a nightmare.

Washington Post Writers Group.



## Where Luck Ends, We Need Government

By Richard Cohen

WASHINGTON — A staple of the stories written by Horatio Alger is sheer, wonderful luck. Our Hero stops a runaway horse and carriage. The frightened and, of course, grateful, passenger happens to be the beautiful daughter of a rich man. Our Hero is on his way to material success. He is industrious and brave. But mostly he is lucky. The passenger could have been the ugly daughter of a poor man.

That element of luck, undeniably important in anyone's life, is nevertheless essentially unfair. On a given day, a child will be born to poor ghetto parents and another will come into the world heir to a fortune. To a modest degree, we count on government to inject some equity into life's unfair situations. Education is one area where we expect it to do so.

But luck — the sheer luck of birth and, even, of location — now plays an even greater role in a child's chances of getting a good education and, especially, of going to college. Nothing illustrates that better than the exemplary work of Eugene Lang, a millionaire industrialist. Six years ago, he promised a class of New York sixth-graders, all of them poor, that if they could get to college, he would pay for it. Thirty of the original 59 students appear ready to take up his offer. They are college-bound.

Mr. Lang's idea has been copied. Recently, a Philadelphia stockbroker and his wife announced they would pay the college tuition of 116 ghetto kids, all of them now in the sixth grade. A Virginia real-estate developer has made a similar

offer to students at a Washington elementary school. In fact, more than 100 classes of mostly poor kids in 15 cities have been adopted by wealthy individuals. And it seems the offers have made a difference to these students. Drop-out rates are lower than usual and an astounding number of them seem headed for college.

But this is really a Horatio Alger story in its best and worst sense. For the kids, the key element is luck — the sheer good

## MEANWHILE

fortune to attend a school adopted by a wealthy person. So some kids have their college tuition paid for while others, maybe a block away, do not.

The Lang approach has been widely, even lavishly, praised. This is an example, we are told, of that most wonderful of all things — private initiative. The praise is not just a reflection of conservative yahoos. Most of the wealthy people who have put up their money for college tuitions have become involved with the schools they adopted and the kids who attend them. They counsel, they mediate, they encourage. Nothing takes the place of a person who cares.

But nothing — not even good-hearted millionaires — can substitute for government's obligation to offer what some kids receive by sheer luck. Over the last six years, the Reagan administration has cut the federal higher education budget

by about \$3 billion. What remains mostly are loans which, for the poor, are often daunting. Outright stipends for poor students, the so-called Pell Grants, are limited to \$2,100 a year — hardly sufficient to cover the cost of room and board that often exceeds \$10,000 a year. In an era in which the cost of obtaining a higher education has zoomed, the federal budget for it has been cut.

Much has been made recently of competition and productivity. America's ability to compete internationally reflects many factors, but certainly one of them is education. The administration has met this national crisis with words, exhortation and bromides, such as the need to teach values. At the same time, it has attempted to gut the Head Start program for pre-schoolers and has made it harder for all but the affluent to send their kids to college.

The most important resource the nation has is the minds of the people. It is renewable. Unlike, say, copper or oil, it cannot be depleted unless it is allowed to be. Tragically, we are allowing it to be.

Mr. Lang and other good people have moved to fill a financial void that should not exist in the first place. A student's higher education should not depend on the benevolence of an alumnus or the charitable caprice of a wealthy person who may later turn to other interests or run out of money. Even in an era of limited government, when it comes to education, Horatio Alger stories are not uplifting. They're tragic.

The Washington Post.

## LETTERS TO THE EDITOR

## Maneuvers in the Gulf: The Real Stake Is Domination

In "Cooperate for Peace in the Gulf" (July 4), Flora Lewis states that "in the short run, U.S. and Soviet interests in the area coincide." And the demarche of Richard Murphy, assistant secretary of state for Near Eastern and South Asian affairs, in Geneva ("U.S., Soviet Discuss Gulf," July 7) is only one of many attempts to bring the Soviets on board in the UN Security Council. In these efforts, one catches faint echoes of the Concert of Europe, which lasted 100 years after the Congress of Vienna in 1814-1815.

The Concert is often dismissed as a cover for a century of European domination of the world. But the five great powers, whose political systems ranged from democracy to czarist autocracy, did manage to maintain tacit agreement on common practices in the conduct of their relations with one another, with minor powers, and with less developed areas of the world. On this agreement hung the preservation of global peace. The system was shattered by the follies of nationalist leaders in 1914 and was ground to bits in the rivalry of the superpowers after 1945.

That rivalry, now fiercely ideological rather than specifically territorial, has dimmed the perception of common interest in the Gulf, as elsewhere around

the world. Neither superpower has a definable interest in protecting Kuwaiti shipping. Domination in the area is the real stake not only for the Kremlin but for the White House, which has added jargon about peace and free navigation almost as an afterthought.

A concert of interests among great powers might provide the basis for peace, but in the context of the 1980s the concept is an illusion. And the United Nations provides no substitute.

JOHN BOVEY,  
Cambridge, Massachusetts.

Reading "Let the United Nations Re-flag Gulf Vessels" (July 9), I wonder whether Cyrus Vance and Elliot Richardson grasp what is at stake in the Gulf war. The even-handed approach to both belligerents implicit in their proposal simply does not meet present requirements.

What is needed is concerted action to deny Ayatollah Ruhollah Khomeini any success in his expansionist land war — his sole remaining source of domestic legitimacy — not United Nations protection enabling him to export his oil and to grease his war machine.

The step-by-step approach advocated by Messrs. Vance and Richardson is a sure recipe for Iranian victory. The real

issue is the future of Islamic rule in Tehran. I welcome any U.S. move — no matter how risky — that could help shorten the Khomeini dictatorship and restore Iran to secular rule.

CARL ERNEST THEODORE,  
The Hague.

With the reflagging of Kuwaiti tankers approaching, thus moving the United States closer to a military conflict with Iran, it will be easier to see the obvious: the need for an administration whose foreign policy is under suspicion to be more closely watched than usual.

The president has again acted without the consent of Congress by making his commitment to Kuwait almost a week before disclosing the information ("Miscellaneous and Late Consultation Doomed Gulf Plan in Congress," July 6).

At what point in the cycle of retaliations will public opinion allow for restraint? After a tanker bearing the U.S. flag goes down? Or after a retaliatory attack by Iran on an American patrol ship, with loss of lives? Will we see an American attack on Tehran by a president only too glad to avenge himself on the country that has caused his administration so much humiliation?

Must the American people go to war? ANNE SCHAELET,  
Leiden, Netherlands.

## Pure Protectionism

Regarding "Proposed FAA Rules Warn Foreign Firms" (Special News Report on Aviation, June 15):

Regardless of what the Federal Aviation Administration says, its proposal to forbid non-U.S. companies to maintain and repair U.S.-registered transport aircraft has nothing to do with air safety; it is pure protectionism.

Worldwide — and this includes the United States — there are very good and some not-so-good maintenance and repair organizations. If you read some of the National Transportation Safety Board accident reports that have identified bad maintenance and repair practices as accident causes, you will find that even some of the best U.S. companies had not done their work right.

The only fair approach to the problem would be to deal with bad practices on a company-by-company basis, regardless of the country of origin.

H. TAYSL,  
Bremen, West Germany.

President Reagan's policies have caused irreparable damage to American agriculture. Now he is trying to impose them on the European Community. Agriculture only needs subsidies when the price of its products is below cost. Farmers

much prefer realistic prices, but if they don't get them, subsidies are better than permanently weakening the sector we count on to feed us.

EDGAR STOEZ,  
Neuried, West Germany.

## Those Misshapen Sentinels

Regarding "In Life's Imperfect Garden, Even a Weed Has Its Place" (May 19):

What a delightful opinion column by Ellen Goodman on the merits of leaving the "stranger in the garden" so that some semblance of nature remains in an otherwise "perfect" garden. My late father and brother, both gardeners, would certainly agree with her. And so do I. The most beautiful trees in the world are gnarled, misshapen sentinels of nature. The most prolific gardens are not necessarily the well-trimmed ones.

I cried the day I stood and watched the Morion Bay fig trees being "manicured" in Monaco. It did such an injustice to those great and beautiful giants which should be allowed to grow the way nature intended them to grow. Natural beauty should never be permitted to be destroyed just to please someone who thinks man can do better. For real beauty, leave well enough alone.

ELEANOR E. BARRUCAND,  
Menton, France.

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## ARTS / LEISURE

## Emile Zola, Contented Cameraman

PARIS — A work of art, Emile Zola wrote, is a corner of creation seen through an individual temperament. The corners he saw were many: not only the grim poverty depicted in his naturalistic novels but also the sunlit boulevards and Sundays of his photographs —

MARY BLUME

dappled lawns, laughing children, amazing horseless carriages and plump ladies in shortwaists with bangs on their knees.

Zola was admired as a crusading novelist; on the side he was a contented shutterbug as well. A selection of his photographs can be seen until Aug. 29 at the Musée-Galerie de la Seine at 12 Rue Surcouf.

The novelist began taking pictures in the late 1880s but had for 20 years been a friend of the pioneering photographer Nadar, whom he used to see in an artists' café in the Place de Clichy (in the same café Zola introduced Manet to Cézanne).

Unlike Degas, who took very beautiful photographs (some of them are included in the present

show, along with photos by Villard and Bonnard), Zola showed mostly a strong technique and a sharp eye. His visual memory was so acute, he once said, that the sunlight he remembered dazzled him still.

As a photographer his approach was strictly that of a hobbyist: He referred to picture-taking as his "Violon d'Ingres" and he loaded himself down with equipment, owning as many as 10 cameras. He shot in all weather and even snapped the brand-new Eiffel Tower at night; he did his own developing and printing and he invented a device so that he could include himself in groups.

While one might expect Zola's pictures to have provided grim research for his novels, most of his great works had been written by the time he took up his hobby and in any case for him photography meant relaxation and fun.

Like any simple tourist he photographed the Forum in Rome and the Great Exhibition of 1900 in Paris, marveling not only at Eiffel's tower but also at the moving sidewalk, which was 3,400 meters long. In England on his 11-month exile during the Dreyfus case, he

snapped the Crystal Palace and a lone bobby on a London street.

His wide-view city scenes sometimes have the eeriness of Atget's pictures, but above all Zola photographed the comfortable solid life around him: his servants, stablehand and horse named Bonhomme, the countryside around his house in the Seine valley and, above all, his family.

As a careless photographer Zola had the benefit of two families to snap: one legitimate and headed by his wife Alexandrine, the other consisting of his mistress, Jeanne,

and their daughter and son. The novels divided his time, and his photographic plates, between them. The photographs are accomplished and gay, the sunny side of the social upheavals he chronicled in his books.

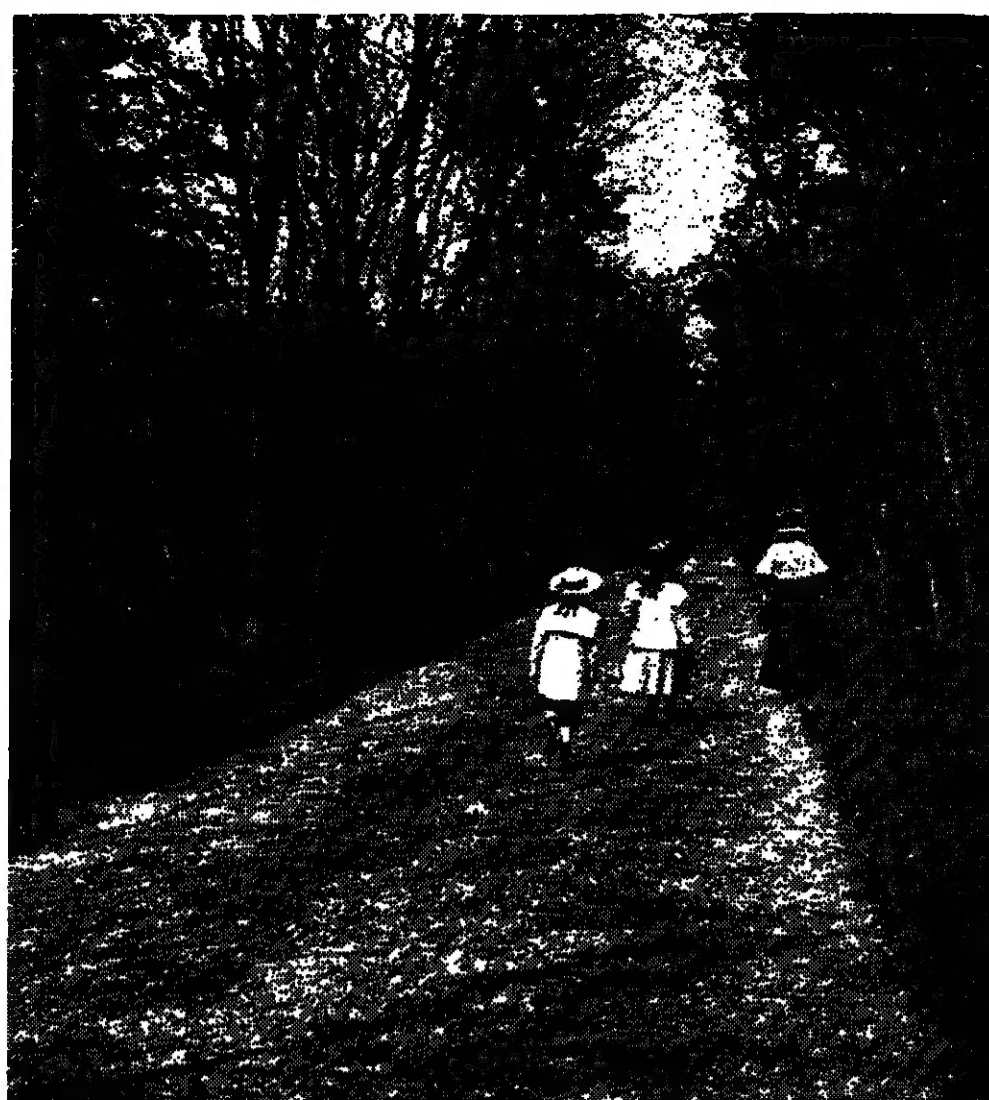
The Seita museum, where the photographs are on view from 11 A.M. to 6 P.M. except on Sundays, is a pleasant and imaginatively used space born of a moral dilemma. It belongs to the Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes, the government-owned cigar, cigarette, tobacco

and match monopoly that has a revenue of 34 billion francs a year and employs 7,500 people.

While many countries have tried to urge their citizens to stop smoking, the French government's efforts have been meager and erratic, since cutting down on smoking would also reduce revenues. The Seita museum was founded as a public relations effort on the part of the tobacco industry and it has with modest but well-presented exhibitions consistently proved to be more worthy of praise than the reason it was created.



Zola and his children, shortly before his death.



Zola's second family in the woods around the home at Vernueil.

## Twelfth Night: A Chill Wind in Illyria

By Sheridan Morley

International Herald Tribune

LONDON — Stratford's new "Twelfth Night," directed by Bill Alexander, has one of those sets (here by Kit Surrey) that do most of the acting before the players have a chance to take up residence. "Which country, friend, is this?" "Illyria, lady" is thus an odd

## THE BRITISH STAGE

opening exchange, since we are clearly in some Greek island where you constantly expect to find Zola setting up a dancing academy for the tourists.

A hugely picturesque, embanked and white-walled little square with its own functioning water pump and a candlelit shrine to Olivia's dead brother might not appear to be the most likely location for this traditionally chilly play, and its permanence means that we cannot actually move with Feste from Orsino's court to Olivia's mansion or Malvolio's prison. In order for anything to happen or anyone to meet, the cast instead has to assemble around the pump. But once you make that geographic leap, and get acclimated to the heat, there emerge certain distinct advantages.

First of all, Anthony Sher can play Malvolio looking like Groucho Marx dressed as a Greek none-too-Orthodox priest, in a performance which allows for a reversal of the usual character development. This steward starts effectively mad, pursuing Viola around the square with Olivia's ring like a music traveling salesman, and only becomes increasingly and menacingly sane as he is incarcerated in a prison for lunatics. Yet although he is single-mindedly taking on all the great Olivier roles in his time with the RSC, first Richard III and in this season a Shylock as well, Sher seems to recognize that he is not a natural comedian. When the going gets tough, he neatly replaces Malvolio somewhere down the cast list in what then becomes a company play about mutual deceit.

The rest of the casting is equally offbeat. A thin and distinctly unjo-

vial Sir Toby Belch from Roger Allam, an unusually meek Olivia from Deborah Findlay and a Viola from Harriet Walter who looks as though she would far rather be leading a troupe of Gid Guides on an archaeological dig around the island than sorting out the complex romantic obsessions of Orsino and Olivia while disguised as her own missing twin brother.

Orsino himself (Donald Sumpter) is an aged, melancholic lover, outclassed even in this specialist category by David Bradley's superb Agamemnon, a man of such total exhaustion under a burning sun that he can barely drag himself to the end of a sentence, let alone the beginning of a duel. Add to them a Maria (Pippa Guard) who instead of the usual chubby housekeeper is far and away the most sexy glamorous character on stage, and it becomes clear that Alexander wishes us to consider the play not only in a new setting but also peopled by characters we have never really met before.

The result is a kind of holiday romp shot through with dark and scary moments when the sun suddenly goes behind a cloud and it gets unexpectedly chilly. There is no attempt to pretend that, even when all the partners do get sorted out into their correct sexes and couplings, the general happiness will last for much longer than the average summer romance, and we are left alone with Feste singing of the wind and the rain presumably somewhere well away from the offices of the local tourist board.

When Turgenev first published his "Fathers and Sons" in 1862, it seemed satisfactorily to irritate almost everyone: Conservative readers were appalled by an apparently sympathetic portrait of Bazarov, literature's first great nihilist, while radicals felt that far too much kindness had been lavished on the old aristocratic family with whom he goes to spend a few languid months in the country. Those less politically concerned are usually now able to recall the novel, often with diffi-

culty, for one scene toward the end where the rich widow who has refused Bazarov's love nevertheless kisses him once she discovers that he is dying after heroically working his way through a typhoid epidemic. This is a moment of melodramatic self-sacrifice which Brian Friel bravely ignores altogether in the gently moving play he has carved out of the book for a Michael Rudman production on the National's Lyttelton Stage.

Friel is an intelligent and intriguing choice for this task. His adaptation of "Three Sisters" and above all his writing about the roots of the current Irish troubles in "Translations" suggest a playwright wonderfully able to set domestic drama in the forefront of social upheaval, and what we have now is the realization that, despite its apparently neat arrangement of political and intellectual opposites, "Fathers and Sons" is really about the way the natural order of the world starts with a strict ordering of the generations. Nothing is so important, not even the future of Russia, as the fact that one of the fathers of the title is to marry again on the same day as his own son, while the other is forced to bury his own heir. History has thus been disturbed around the summer, and it is only a matter of time before that disturbance starts to spread.

The sons are in fact fellow students: Bazarov (Robert Glee) is in a state of clenched though un-specific social indignation has come to stay for a summer with the family of Arkady (a wistful Ralph Fiennes) only to find himself in a pre-Checkovian household where Alec McCowen as the father is clearly in training for Vanya while Richard Pasco (as the decaying dandy uncle who once spent 10 years unsuccessfully pursuing a princess across Europe) is getting closer day by day to Gayev in "The Cherry Orchard." But the immediate contrast between the sons, one

rabid for social change while the other is about to inherit an admittedly fast-disintegrating estate, gets soon confused by Bazarov's hopeless love for the wealthy widow and by his inability to come to terms even with his ideologically acceptable parents (Robin Bailey and Barbara Jefford in gloomy isolation), so that in the end the typhoid epidemic simply offers him an irrelevant kind of martyrdom as a way out of social and filial confusion.

A Checkovian search for happiness and a new Russia is already here, but filtered through Turgenev's more realistic familial vision of a world where relative values are determined by second marriages and mad old aunts and sudden death rather than the forces of the outside world. Beyond a duel instigated by the Pasco character

known as "Beau de Colognes," and the final typhoid death, this is a play in which not a lot happens.

But at a time when members of the new government seem to be again asking why we need a subsidized state theater, Rudman's production provides a perfect answer: Because nowhere else in the world will you find ensemble acting of this caliber.

Just try telling a commercial sponsor that you'd like a cast of 16, including some of the most highly respected character actors in the land, plus a small orchestra, to turn a largely forgotten Turgenev novel into an evening of classical distinction maybe twice a week in repertoire for six months on the South Bank and see how long it takes him to write the check. I would guess about a decade.

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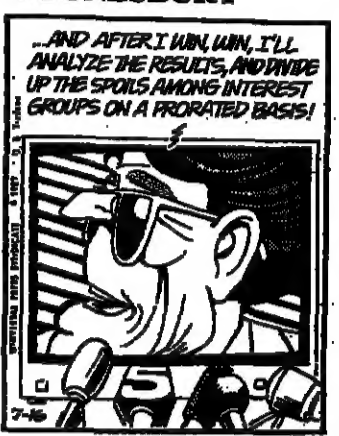
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Intel	42.00	41.50	41.50	+0.25	
Microsoft	34.00	33.50	33.50	+0.25	
Oracle	28.00	27.50	27.50	+0.25	
Unisys	24.00	23.50	23.50	+0.25	
Wells Fargo	22.00	21.50	21.50	+0.25	
Western Union	20.00	19.50	19.50	+0.25	
Worldcom	18.00	17.50	17.50	+0.25	
Worldwide	16.00	15.50	15.50	+0.25	
Worldview	14.00	13.50	13.50	+0.25	
Worldwide	12.00	11.50	11.50	+0.25	
Worldview	10.00	9.50	9.50	+0.25	
Worldwide	8.00	7.50	7.50	+0.25	
Worldview	6.00	5.50	5.50	+0.25	
Worldwide	4.00	3.50	3.50	+0.25	
Worldview	2.00	1.50	1.50	+0.25	
Worldwide	1.00	0.50	0.50	+0.25	

Market Sales					
NYSE 4 a.m. volume	185,000,000				
NYSE 4 a.m. volume	174,000,000				
NYSE 4 a.m. volume	163,000,000				
NYSE 4 a.m. volume	152,000,000				
NYSE 4 a.m. volume	141,000,000				
NYSE 4 a.m. volume	130,000,000				
NYSE 4 a.m. volume	119,000,000				
NYSE 4 a.m. volume	108,000,000				
NYSE 4 a.m. volume	97,000,000				
NYSE 4 a.m. volume	86,000,000				
NYSE 4 a.m. volume	75,000,000				
NYSE 4 a.m. volume	64,000,000				
NYSE 4 a.m. volume	53,000,000				
NYSE 4 a.m. volume	42,000,000				
NYSE 4 a.m. volume	31,000,000				
NYSE 4 a.m. volume	20,000,000				
NYSE 4 a.m. volume	10,000,000				

NYSE Index					
High	Low	Close	Chg.		
Composite	174.00	174.00	+0.50		
Industrial	174.00	174.00	+0.50		
Transportation	174.00	174.00	+0.50		
Utilities	174.00	174.00	+0.50		
Finance	174.00	174.00	+0.50		
Commodity	174.00	174.00	+0.50		
Energy	174.00	174.00	+0.50		
Healthcare	174.00	174.00	+0.50		
Technology	174.00	174.00	+0.50		
Real Estate	174.00	174.00	+0.50		
Consumer Goods	174.00	174.00	+0.50		
Food & Beverage	174.00	174.00	+0.50		
Pharmaceuticals	174.00	174.00	+0.50		
Chemicals	174.00	174.00	+0.50		
Metals & Mining	174.00	174.00	+0.50		
Oil & Gas	174.00	174.00	+0.50		
Telecommunications	174.00	174.00	+0.50		

NYSE Closing					
Open	High	Low	Last	Chg.	
Index	174.00	174.00	174.00	+0.50	
Industrial	174.00	174.00	174.00	+0.50	
Transportation	174.00	174.00	174.00	+0.50	
Utilities	174.00	174.00	174.00	+0.50	
Finance	174.00	174.00	174.00	+0.50	
Commodity	174.00	174.00	174.00	+0.50	
Energy	174.00	174.00	174.00	+0.50	
Healthcare	174.00	174.00	174.00	+0.50	
Technology	174.00	174.00	174.00	+0.50	
Real Estate	174.00	174.00	174.00	+0.50	
Consumer Goods	174.00	174.00	174.00	+0.50	
Food & Beverage	174.00	174.00	174.00	+0.50	
Pharmaceuticals	174.00	174.00	174.00	+0.50	
Chemicals	174.00	174.00	174.00	+0.50	
Metals & Mining	174.00	174.00	174.00	+0.50	
Oil & Gas	174.00	174.00	174.00	+0.50	
Telecommunications	174.00	174.00	174.00	+0.50	

AMEX Diary					
Open	High	Low	Last	Chg.	
Index	174.00	174.00	174.00	+0.50	
Industrial	174.00	174.00	174.00	+0.50	
Transportation	174.00	174.00	174.00	+0.50	
Utilities	174.00	174.00	174.00	+0.50	
Finance	174.00	174.00	174.00	+0.50	
Commodity	174.00	174.00	174.00	+0.50	
Energy	174.00	174.00	174.00	+0.50	
Healthcare	174.00	174.00	174.00	+0.50	
Technology	174.00	174.00	174.00	+0.50	
Real Estate	174.00	174.00	174.00	+0.50	
Consumer Goods	174.00	174.00	174.00	+0.50	
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Pharmaceuticals	174.00	174.00	174.00	+0.50	
Chemicals	174.00	174.00	174.00	+0.50	
Metals & Mining	174.00	174.00	174.00	+0.50	
Oil & Gas	174.00	174.00	174.00	+0.50	
Telecommunications	174.00	174.00	174.00	+0.50	

NASDAQ Index					
Open	High	Low	Last	Chg.	
Index	174.00	174.00	174.00	+0.50	
Industrial	174.00	174.00	174.00	+0.50	
Transportation	174.00	174.00	174.00	+0.50	
Utilities	174.00	174.00	174.00	+0.50	
Finance	174.00	174.00	174.00	+0.50	
Commodity	174.00	174.00	174.00	+0.50	
Energy	174.00	174.00	174.00	+0.50	
Healthcare	174.00	174.00	174.00	+0.50	
Technology	174.00	174.00	174.00	+0.50	
Real Estate	174.00	174.00	174.00	+0.50	
Consumer Goods	174.00	174.00	174.00	+0.50	
Food & Beverage	174.00	174.00	174.00	+0.50	
Pharmaceuticals	174.00	174.00	174.00	+0.50	
Chemicals	174.00	174.00	174.00	+0.50	
Metals & Mining	174.00	174.00	174.00	+0.50	
Oil & Gas	174.00	174.00	174.00	+0.50	
Telecommunications	174.00	174.00	174.00	+0.50	

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Vol.	High	Low	Last	Chg.	
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Oracle	28.00	27.50	27.50	+0.25	
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Wells Fargo	22.00	21.50	21.50	+0.25	
Western Union	20.00	19.50	19.50	+0.25	
Worldcom	18.00	17.50	17.50	+0.25	
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Worldwide	4.00	3.50	3.50	+0.25	
Worldview	2.00	1.50	1.50	+0.25	
Worldwide	1.00	0.50	0.50	+0.25	

Dow Jones Bond Averages					
Bonds	Close	Chg.			
Utilities	98.00	+0.05			
Industrials	97.00	+0.05			

NYSE Diary					
Advanced	1007	672			
Declined	1007	672			
Unchanged	1007	672			
Total Issues	1007	672			
New High	1007	672			
New Low	1007	672			

Odd-Lot Trading in N.Y.					
Buy	Sell	*3011			
July 13	25,000	1,000			
July 14	25,000	1,000			
July 15	25,000	1,000			
July 16	25,000	1,000			
July 17	25,000	1,000			
July 18	25,000	1,000			
July 19	25,000	1,000			
July 20	25,000	1,000			
July 21	25,000	1,000			
July 22	25,000	1,000			
July 23	25,000	1,000			
July 24	25,000	1,000			
July 25	25,000	1,000			
July 26	25,000	1,000			
July 27	25,000	1,000			
July 28	25,000	1,000			
July 29	25,000	1,000			
July 30	25,000	1,000			
July 31	25,000	1,000			

Dow Jones Averages					
Open	High	Low	Last	Chg.	
Index	174.00	174.00	174.00	+0.50	
Industrial	174.00	174.00	174.00	+0.50	
Transportation	174.00	174.00	174.00	+0.50	
Utilities	174.00	174.00	174.00	+0.50	
Finance	174.00	174.00	174.00	+0.50	
Commodity	174.00	174.00	174.00	+0.50	
Energy	174.00	174.00	174.00	+0.50	
Healthcare	174.00	174.00	174.00	+0.50	
Technology	174.00	174.00	174.00	+0.50	
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Pharmaceuticals	174.00	174.00	174.00	+0.50	
Chemicals	174.00	174.00	174.00	+0.50	
Metals & Mining	174.00	174.00	174.00	+0.50	
Oil & Gas	174.00	174.00	174.00	+0.50	
Telecommunications	174.00	174.00	174.00	+0.50	

Standard & Poor's Index					
Open	High	Low	Last	Chg.	
Index	174.00	174.00	174.00	+0.50	
Industrial	174.00	174.00	174.00	+0.50	
Transportation	174.00	174.00	174.00	+0.50	
Utilities	174.00	174.00	174.00	+0.50	
Finance	174.00	174.00	174.00	+0.50	
Commodity	174.00	174.00	174.00	+0.50	
Energy	174.00	174.00	174.00	+0.50	
Healthcare	174.00	174.00	174.00	+0.50	
Technology	174.00	174.00	174.00	+0.50	
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Pharmaceuticals	174.00	174.00	174.00	+0.50	
Chemicals	174.00	174.00	174.00	+0.50	
Metals & Mining	174.00	174.00	174.00	+0.50	
Oil & Gas	174.00	174.00	174.00	+0.50	
Telecommunications	174.00	174.00	174.00	+0.50	

NASDAQ Diary					
Advanced	1007	672			
Declined	1007	672			
Unchanged	1007	672			
Total Issues	1007	672			
New High	1007	672			
New Low	1007	672			

AMEX Stock Index					
High	Low	Open	Close	Chg.	
34.71	34.71	34.71	34.71	+0.00	

## Earnings Lift NYSE to Record

NEW YORK — Prices on the New York Stock Exchange reached record levels Tuesday, buoyed by positive earnings news, especially from high technology groups.

The Dow Jones industrial average climbed 28.38 points to close at 2,481.35, above the record 2,463.97 set July 8. The closely watched index fell 3.02 points Monday.

Advances led declines by a 2 to 1 ratio. Closing volume totaled around 185.8 million shares, above Monday's 152.8 million.

"All I'm seeing is buyers," said Brad Weeks, senior vice president in charge of sales and trading at Donaldson Lufkin & Jenrette.

Good corporate earnings news helped drive the market higher. So far this week, Apple Computer, NCR, Honeywell, Intel and Advanced Micro Devices have reported improved earnings.

Traders cited a prediction from the widely followed technical analyst, Robert Prechter, that if the Dow moved through "resistance" at 2,471, it will climb to 2,600.

But Robert Ritter, technical analyst at L.F. Rothschild, said the market has also gone up simply because everyone thought it was going to go down. "The market has been consistently perverse," said Mr. Ritter.

A pivotal factor for the market, said Jack Baker, head of equity trading at Shearson Lehman Brothers, is the May U.S. trade figure due Wednesday, which Wall Street economists are estimating at \$13 billion to \$15 billion.

"If the figure comes in at \$11 billion, the rumor today, we are going to be in for a run-

away gain tomorrow," Mr. Baker said. "But if it comes in at \$15 billion or higher, we can write off everything we saw today."

The market was mildly disappointed with IBM's results. The computer giant's second-quarter net income — \$1.95 a share, down from \$2.12 in the year-ago quarter — was close to line with Wall Street's expectations but a little below the hopes for better news that drove the stock up nearly \$3 Monday.

But IBM's decline did not deter the rest of the technology sector, which scored its second straight gain. Optimism remains



WEDNESDAY, JULY 15, 1987

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## MADISON AVENUE

## Club Med Asks Ammirati To Polish Image — Again

By PHILIP H. DOUGHERTY

New York Times Service

NEW YORK — Club Med is returning to Ammirati & Paris, the agency that developed the line "Club Med Vacation. The Antidote For Civilization." And its ad budget is \$11 million: the antidote for agency management depression.

The North American subsidiary of Club Méditerranée in Paris, which in its many "villages" worldwide offers vacations to one million guests annually, has had its account at N. W. Ayer, Ayer, at the client's request, had been preparing sales advertising rather than image advertising.

When Jacques Girard, president and chief executive of Club Med Inc. and Club Med Sales, both North American operations, decided to return to image promotion, he decided also to return to its original source.

The reasoning behind Club Med's advertising, he said, is that it is not actually to sell a potential vacationer on going to one of the "villages" but rather to give ammunition to former vacationers to talk it up to those who have never been to one. "About 75 percent of our guests are there because of word of mouth," Mr. Girard said.

The first issue of AIDS Patient Care: A Magazine For Health Professionals is to be published this week by Mary Ann Liebert Inc., a New York publisher.

It will appear six times a year, with 25,000 copies sent free to individuals and organizations involved in the care of patients with acquired immune deficiency syndrome. The basic ad rate is \$950 for a black and white page.

The company has 39 publications in print or close to it. All deal with health care and two others also have to do with AIDS. About two years ago the company began to publish AIDS Research and Human Retroviruses. Last spring it established the Amfar (American Federation for AIDS Research) Directory.

Changing Times is delivering the message that it is "a magazine that helps you manage yourself and your money in a changing world."

In a single 30-second television commercial from Levine, Huntley, Schmidt & Beaver, a bearded hippie of the late 1960s proclaims: "Who needs money, man?" A teletyped note that clatters across the bottom of the screen shows him to be today's president of Bio-Tech Lesers with a personal worth of \$3 million. A frantic female from a 1970s demonstration is today's headmistress of the Little Lady Charm School in Westport, Connecticut.

For a parting shot, a neat chap in white shirt and braces turns out to be doing three to five years in prison for insider trading. Armed with research data from Yankelovich Clancy Shulman, Nicholas H. Niles, the publisher of Changing Times, noted that there was a great change in the American people from the 1970s to the 1980s. In that earlier time, he said, the feeling was: "I can have it all. Money comes easily."

More recently, he said, "People began to lack confidence. They feel that they can't compete with the Japanese, that their children are going to be worse off than they were. There is a change in the population's outlook and the way they deal with things. To feel more secure, what they needed was information."

Changing Times, which recently celebrated its 40th anniversary with a circulation of 1.25 million, last year carried 224 pages of advertising, up from 491 in 1985.

## People

John Blauner has been promoted to senior vice president of FCBLKP Targeted Marketing Services, the direct response and sales promotion division of FCBLKP Katz Partners.

Alan V. Schwartz has been named executive vice president, chief operating officer and financial officer of Bernard Hodas Advertising.

## Currency Rates

Cross Rates	July 14
American dollar	1.0000
British pound	1.6411
French franc	6.5596
German mark	1.9364
Italian lira	2.0361
Japanese yen	163.89
Netherlands guilder	2.2037
Swiss franc	1.4836
West German mark	1.9364
Yen	163.89

Source: Reuters Bank of Tokyo (Tokyo), IMF (SDR), BAI (Basis), RPL (RPL), GDBank (RPL). Other data from Reuters and A.P.

Other Dollar Values	July 14
American dollar	1.0000
British pound	1.6411
French franc	6.5596
German mark	1.9364
Italian lira	2.0361
Japanese yen	163.89
Netherlands guilder	2.2037
Swiss franc	1.4836
West German mark	1.9364
Yen	163.89

Source: Reuters Bank of Tokyo (Tokyo), IMF (SDR), BAI (Basis), RPL (RPL), GDBank (RPL). Other data from Reuters and A.P.

## Interest Rates

Key Money Rates	July 14
1-month	5.50%
3-month	5.75%
6-month	6.00%
1-year	6.25%

Source: Reuters Bank of Tokyo (Tokyo), IMF (SDR), BAI (Basis), RPL (RPL), GDBank (RPL). Other data from Reuters and A.P.

Asian Dollar Deposits	July 14
1-month	5.50%
3-month	5.75%
6-month	6.00%
1-year	6.25%

Source: Reuters Bank of Tokyo (Tokyo), IMF (SDR), BAI (Basis), RPL (RPL), GDBank (RPL). Other data from Reuters and A.P.

U.S. Money Market Funds	July 14
1-month	5.50%
3-month	5.75%
6-month	6.00%
1-year	6.25%

Source: Reuters Bank of Tokyo (Tokyo), IMF (SDR), BAI (Basis), RPL (RPL), GDBank (RPL). Other data from Reuters and A.P.

Gold	July 14
1-ounce	370.00
10-ounce	3,700.00
100-ounce	37,000.00

Source: Reuters Bank of Tokyo (Tokyo), IMF (SDR), BAI (Basis), RPL (RPL), GDBank (RPL). Other data from Reuters and A.P.

## IBM Net Off 9.8%, Sales Up

## Drop in Quarter Depresses Shares

Compiled by Our Staff From Dispatches

NEW YORK — International Business Machines Corp. said Tuesday that its earnings had fallen 9.8 percent in the second quarter to \$1.178 billion, disappointing investors who knocked more than \$2 off its share price.

The decline from \$1.305 billion in the corresponding 1986 quarter was the computer giant's fifth straight quarterly drop, confounding recent speculation that earnings might improve.

On a per-share basis, net earnings fell to \$1.95 from \$2.12 in the 1986 second quarter, despite a 4.3 percent rise in revenue to \$12.80 billion from \$12.27 billion.

Some analysts had expected IBM's earnings to be even lower, at \$1.85 a share, according to Institutional Brokers Estimate Service, compiled by Lynch, Jones & Ryan.

But in recent weeks Wall Street had grown increasingly optimistic about IBM's prospects, especially for its Personal System/2, a new family of personal computers that the company said was selling well.

IBM's stock price fell \$2.375 to close at \$167.50 in heavy trading on the New York Stock Exchange.

"People were expecting too much, too soon," said Stephen Smith of PaineWebber.

Despite the earnings decline, some of the gloom that has afflicted IBM since mid-1985 has lifted. Analysts have given the company high marks for regaining lost ground in the personal and minicomputer markets, increasing revenue from software and maintenance services, and keeping costs in line.

Rick Martin of Sanford C. Bernstein & Co. said Wall Street analysts were hoping for a better performance. "Everybody had their fingers crossed," he said. But, Mr. Martin added, the generally lackluster second-quarter figures do not forebode a poor showing for the remainder of 1987. "We continue to feel the turnaround in earnings will start in the second half," he said. (Reuters, AP, UPI)



Harried traders in Singapore provide a visual index of Asia's equity boom.

## Stock Boom Tests Asian Exchanges

## Markets Wrestling With Home-Grown Restrictions

By Patrick L. Smith

International Herald Tribune

BANGKOK — Not much more than a year ago, the only thing that seemed to stir brokers at the Securities Exchange of Thailand was the arrival of a foreign visitor: With no apparent sense of the absurd, they would team up with floor clerks to demonstrate what trading would be like, if only there were any.

Similarly, the Korea Stock Exchange was something of a local joke when it completed a vast, computerized home for itself in the early 1980s. After a few desultory transactions at the opening bell, it would have been possible to play volleyball on the trading floor without much interruption.

But for these two exchanges and many others in East Asia, things are dramatically different now. In line with a worldwide trend, the region's emerging stock markets have attracted unprecedented amounts of local and overseas capital.

Yet the sudden influx of capital has forced every small exchange in the region to confront inadequacies that could either retard growth to some extent or increase the risk of a sudden collapse.

Trading volume, in some cases, has increased as much as fivefold from 1986 levels. Market indexes have risen up to 120 percent in the same period. Exchanges once begging for business are now overflowing. In Kuala Lumpur, for instance, the average daily turnover has risen to about 50 million ringgit (\$19.61 million at current exchange rates) from 11 million ringgit in the past year.

Just before opening a larger, partially computer-

ized trading floor two months ago, the Kuala Lumpur Stock Exchange cut half an hour from its daily trading time. "There was just too much activity," said Nik Mohamed Din, the exchange's chairman.

In many respects, the blossoming of East Asia's small markets is the fulfillment of an ambition long cherished by government officials in the region, as well as brokers, traders, international fund managers and development experts. Asia's "economic miracle," they have often argued, has been too often financed by debt rather than equity, leaving corporations throughout the region over-borrowed and financial systems underdeveloped.

The desire to reduce a traditional dependence in Asia on commercial bank credits has been especially pronounced over the past several years, as nations such as South Korea, Malaysia, the Philippines and Thailand have reached the prudent limit on their ability to generate the hard currency to repay their loans.

The exchanges themselves are tiny: Taken together they amount to about \$130 billion in capitalization, a fraction of the roughly \$2.7 trillion each for stock markets in the United States and Japan. Nonetheless, many analysts predict that Asia's junior bourses, along with the more mature Hong Kong exchange, will become global leaders for return on investment.

The International Finance Corp., a World Bank affiliate that has been instrumental in nurturing capital markets in developing countries, predicted

See ASIAN, Page 13

## U.S. Retail Sales Rose a Sluggish 0.4% in June

Compiled by Our Staff From Dispatches

WASHINGTON — U.S. retail sales rose a smaller-than-expected 0.4 percent in June, with virtually all of the increase coming from auto purchases, the Commerce Department said Tuesday.

Economic forecasters had expected sales to rise 0.5 percent to 0.7 percent during the month.

It was the fourth straight month of virtually unchanged sales. Retail sales have moved less than 0.5 percent up or down since February.

Total sales in the first half of this year slipped 0.1 percent from the first six months of 1986, a sign that consumers' free-spending ways have ended and a hint of continued sluggish growth in the economy.

The weak growth is causing fears of recession because consumer spending accounts for about two-thirds of U.S. economic activity.

After the June figures were released, Commerce Secretary Malcolm Baldrige said consumer spending was unlikely to be the major driving force for economic growth this year.

"Total real personal consumption spending probably rose" in the April to June quarter after two quarterly declines, he said in Washington. "Consumers should continue to lift their spending modestly, but they will not provide the economy's driving force this year."

The 0.4 percent increase compared with May's revised 0.3 percent drop in sales, originally reported as a 0.6 percent fall.

The June figures also were up 4.5 percent from a year earlier, but sales were well below their record of \$129 billion last September.

After accounting for seasonal factors, the government estimated that retail sales totaled \$125.1 billion in June, up \$331 million from May.

Sales of durable goods, or items made to last three or more years, increased 0.6 percent to account for \$48.1 billion of June's total.

Auto dealers enjoyed the most success of that group, with sales rising 1.9 percent to \$28.1 billion.

That increase came despite a decline in sales of U.S.-made cars from a year earlier. Higher sticker prices or a tendency to buy more

foreign models made up for the difference.

Sales of nondurable goods went up 0.1 percent to total a seasonally adjusted \$76.97 billion.

Clothing stores posted the only substantial gain, 2.4 percent.

Economists have attributed the flat sales reports to reluctance by consumers to purchase such major items as cars and furniture while they carry record high debt levels and personal income is growing weakly. (UPI, AP, Reuters)

## At World Bank, Reserves Expected To Eat Up Profit

Reuters

WASHINGTON — The World Bank's profit this year is likely to be used entirely to bolster reserves against potential losses from Third World loans, bank sources said Tuesday.

If that happens, funds may be withheld from the International Development Association, the bank's concessional lending arm to the poorest nations, which usually receives \$100 million to \$250 million from the annual profit.

The bank's profit, to be announced next week, is roughly \$1.05 billion for the year ended June 30, the sources said.

According to one source, pressure to add to reserves reflects concern in financial markets over an increase in the bank's arrears at a time when its reserves have fallen because of the decline of the dollar.

The sources said that some bank directors may argue that a contribution should still be made to IDA. "But management believes the market perception must be dealt with first," one source said.

The action would follow recent increases in loan-loss reserves by leading U.S. and foreign commercial banks.

## IF YOU PURSUE EXCELLENCE, ONLY ONE BANK CAN KEEP UP.

For Republic National Bank of New York, the relentless pursuit of excellence has achieved nothing less than excellent results.

Republic has grown to be the 11th largest bank in the United States, in terms of shareholders' equity.

outgrowth of the strong beliefs of its founder and principal shareholder, Edmond J. Safra.

Republic is firmly committed to such sound, traditional banking practices as diversification

your personal finances.

Republic's subsidiary in Luxembourg provides private banking clients with the protection of the stringent banking laws of that country, and experienced account officers who speak your language.

and the maintenance of a strong capital base.

The bank has always been highly selective in lending. It emphasizes very conservative activities, investing in safe and liquid assets and using its extensive expertise to trade profitably in precious metals, foreign exchange, bonds and bank notes.

Underlying every aspect of Republic National Bank's pursuit of excellence is a single, fundamental principle: the protection of depositors' funds.

It should come as no surprise, then, that this pursuit of excellence results in considerable advantages to private banking clients, and the application of the very highest standards of excellence to the handling of

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AIRES · SANTIAGO · MONTEVIDEO · CARACAS · MEXICO  
CITY · PUNTA DEL ESTE · RIO DE JANEIRO · SAO PAULO

FIGURES AS AT DECEMBER 31, 1986:

TOTAL ASSETS:

US \$16.8 billion

SHAREHOLDERS' EQUITY:

US \$1.6 billion











Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.  
*Via The Associated Press*

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.  
*Via The Associated Press*

High	Low	Stock	Dlv.	Vol.	P/E	30	100	High	Low	Close	Best	Comp
A												
18	3%	ABN				17	4					
19	62	ABN				17	4					
20	10	ABN				17	4					
21	10	ABN				17	4					
22	10	ABN				17	4					
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99	10	ABN				17	4					
100	10	ABN				17	4					

Month	High Low	Stock	Div.	Yld. PE	\$2.50	High Low	Open	St. Ctr.
11/24	134	Amr	3.0	2.0	1000	130	134	+ 1/2
11/23	134	Astrotec			130	134	134	+ 1/2
11/22	134	Avco			130	134	134	+ 1/2
11/21	134	Avco			130	134	134	+ 1/2
11/20	134	Avco			130	134	134	+ 1/2
11/19	134	Avco			130	134	134	+ 1/2
11/18	134	Avco			130	134	134	+ 1/2
11/17	134	Avco			130	134	134	+ 1/2
11/16	134	Avco			130	134	134	+ 1/2
11/15	134	Avco			130	134	134	+ 1/2
11/14	134	Avco			130	134	134	+ 1/2
11/13	134	Avco			130	134	134	+ 1/2
11/12	134	Avco			130	134	134	+ 1/2
11/11	134	Avco			130	134	134	+ 1/2
11/10	134	Avco			130	134	134	+ 1/2
11/9	134	Avco			130	134	134	+ 1/2
11/8	134	Avco			130	134	134	+ 1/2
11/7	134	Avco			130	134	134	+ 1/2
11/6	134	Avco			130	134	134	+ 1/2
11/5	134	Avco			130	134	134	+ 1/2
11/4	134	Avco			130	134	134	+ 1/2
11/3	134	Avco			130	134	134	+ 1/2
11/2	134	Avco			130	134	134	+ 1/2
11/1	134	Avco			130	134	134	+ 1/2
10/31	134	Avco			130	134	134	+ 1/2
10/30	134	Avco			130	134	134	+ 1/2
10/29	134	Avco			130	134	134	+ 1/2
10/28	134	Avco			130	134	134	+ 1/2
10/27	134	Avco			130	134	134	+ 1/2
10/26	134	Avco			130	134	134	+ 1/2
10/25	134	Avco			130	134	134	+ 1/2
10/24	134	Avco			130	134	134	+ 1/2
10/23	134	Avco			130	134	134	+ 1/2
10/22	134	Avco			130	134	134	+ 1/2
10/21	134	Avco			130	134	134	+ 1/2
10/20	134	Avco			130	134	134	+ 1/2
10/19	134	Avco			130	134	134	+ 1/2
10/18	134	Avco			130	134	134	+ 1/2
10/17	134	Avco			130	134	134	+ 1/2
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10/12	134	Avco			130	134	134	+ 1/2
10/11	134	Avco			130	134	134	+ 1/2
10/10	134	Avco			130	134	134	+ 1/2
10/9	134	Avco			130	134	134	+ 1/2
10/8	134	Avco			130	134	134	+ 1/2
10/7	134	Avco			130	134	134	+ 1/2
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9/30	134	Avco			130	134	134	+ 1/2
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9/7	134	Avco			130	134	134	+ 1/2
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9/2	134	Avco			130	134	134	+ 1/2
9/1	134	Avco			130	134	134	+ 1/2
8/31	134	Avco			130	134	134	+ 1/2
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8/29	134	Avco			130	134	134	+ 1/2
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8/20	134	Avco			130	134	134	+ 1/2
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8/7	134	Avco			130	134	134	+ 1/2
8/6	134	Avco			130	134	134	+ 1/2
8/5	134	Avco			130	134	134	+ 1/2
8/4	134	Avco			130	134	134	+ 1/2
8/3	134	Avco			130	134	134	+ 1/2
8/2	134	Avco			130	134	134	+ 1/2
8/1	134	Avco			130	134	134	+ 1/2
7/31	134	Avco			130	134	134	+ 1/2
7/30	134	Avco			130	134	134	+ 1/2
7/29	134	Avco			130	134	134	+ 1/2
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7/27	134	Avco			130	134	134	+ 1/2
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7/19	134	Avco			130	134	134	+ 1/2
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7/3	134	Avco			130	134	134	+ 1/2
7/2	134	Avco			130	134	134	+ 1/2
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6/14	134	Avco			130	134	134	+ 1/2
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6/12	134	Avco			130	134	134	+ 1/2
6/11	134	Avco			130	134	134	+ 1/2
6/10	134	Avco			130	134	134	+ 1/2
6/9	134	Avco			130	134	134	+ 1/2
6/8	134	Avco			130	134	134	+ 1/2
6/7	134	Avco			130	134	134	+ 1/2
6/6	134	Avco			130	134	134	+ 1/2
6/5	134	Avco			130	134	134	+ 1/2
6/4	134	Avco			130	134	134	+ 1/2
6/3	134	Avco			130	134	134	+ 1/2
6/2	134	Avco			130	134	134	+ 1/2
6/1	134	Avco			130	134	134	+ 1/2
5/31	134	Avco			130	134	134	+ 1/2
5/30	134							

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A		B		C		D		E		F		G		H		I		J		K		L		M		N		O		P		Q		R		S		T		U		V		W		X		Y		Z																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
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Net asset value quotations are supplied by the Funds listed with the exception of some quotes based on issue price.  
The marginal symbols indicate frequency of quotations: (d) - daily; (w) - weekly; (b) - bi-monthly; (c) - quarterly; (m) - monthly.

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Comptroller (month)	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	29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DM - Deutsche Mark; BF - Belgium Francs; CS - Canadian Dollars; FF - French Francs; FL - Dutch Florins; LF - Luxembourg Francs; ECU - European Currency Unit; s - Swiss Francs; ¥ - Yen; A\$ - Australian Dollars; L - Italian Lira; \* - asked; + - other prices; - bid; n/a - Not Available; N.C. - Not Commercialised; s - New; S - suspended; G/S - Split; \* - Ex-Dividend

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# Dollar at 6-Month High Against Mark

Compiled by Our Staff From Dispatches  
NEW YORK — The dollar closed above 1.85 Deutsche marks Tuesday for the first time in six months as expectations grew for a marked improvement in the U.S. merchandise trade deficit.

The dollar ended in New York at 1.8530 DM, up more than a penny from 1.8425 Monday.

It was the first time the dollar had closed above 1.8500 DM since Jan. 13.

The dollar also closed at 151.255 Japanese yen, up from 151.075 Monday; at 1.5435 Swiss francs, up from 1.5380; and at 6.1650 French francs, up from 6.1325.

It was also higher against the British pound, which closed at \$1.6105, against \$1.6155.

"Everything is pointed toward Wednesday's trade figures," said Joseph Volpicella, executive vice president of Spavo Financial Corp., a New York-based currency-trading firm.

Mr. Volpicella said that, according to market rumors, the trade deficit for May would be around \$11.5 billion, much narrower than the \$13.3 billion shortfall in April.

London Dollar Rates	
Currency	Rate
Deutsche mark	1.8530
Japanese yen	151.255
Swiss franc	1.5435
French franc	6.1650
British pound	1.6105

"One thing is feeding off the other," Mr. Volpicella said. "As the dollar improves, the expectations of a lower deficit improve. And as the expectations improve, the dollar improves."

Dealers said the dollar could push to 1.87 DM if the optimistic forecasts are on target.

"But we do have this threat of central bank intervention," Mr. Volpicella said. Any move toward 1.87 would be cautious because "we could get a snap back from central bank selling," he said.

Mr. Volpicella noted that the dollar has strengthened on expectations of a narrowing of the trade imbalance "so the figure could be self-correcting. But a good report could set the tone for a better dollar for the duration of the summer."

He said there was little reaction in the market to a Commerce Department report showing a 0.4 percent increase in retail sales in June, virtually all of it tied to automobiles.

Earlier in Europe, the dollar closed at the day's high in quiet trading, largely on rumors of a reduced trade deficit.

"A few customer orders started it," one dealer at a U.S. bank said. "Rumors that tomorrow's trade numbers would be favorable carried it along. But in this thin market, any movement is exaggerated."

In London, the dollar closed higher at 1.8489 DM, from 1.8422 DM on Monday, at 151.05 yen, after 150.95; at 1.5405 Swiss francs from 1.5355; and at 6.1539 French francs after 6.1315.

The pound also slipped in London against the U.S. currency, to \$1.6105 from \$1.6185.

In earlier European trading, the dollar was fixed slightly lower at 1.8435 DM after 1.8459 Monday. There was no fixing in Paris, where the market was closed for a holiday.

## Japan Continues Strong Buying of Foreign Bonds

Agency France-Press

TOKYO — Japanese institutional investors continued to buy substantial numbers of foreign bonds in July because of the stabilization of exchange rates and U.S. interest rates, the financial daily Nihon Keizai Shimbun reported Tuesday.

Quoting financial sources, it said that net purchases of foreign bonds by Japanese investors totaled \$2.5 billion in the week to July 8, and are expected to reach \$3 billion during the first half of July.

If the market remains stable, net purchases will likely top \$10 billion in July, compared with \$14.1 billion in June, it said.

It said Japanese investment trust funds were buying U.S. national bonds, while non-life insurance companies were purchasing European currency-denominated bonds.

## ASIAN: Boom on Stock Exchanges Forces Questioning of Local Restrictions

(Continued from first finance page)

last month that the value of stock in such markets would grow to between \$500 billion and \$800 billion by the end of the century.

"A major educational process is under way," said Mark Mobius, president of the Templeton Emerging Markets Fund, a \$110 million vehicle launched in February. "International investors, particularly U.S. institutions and fund managers, are discovering these markets for the first time."

But there are problems that cloud a bright future and a newfound sense of confidence.

Chief among these is the dearth of quality stock available in most markets, a problem exacerbated by a tendency among powerful Asian investors to keep a large proportion of issued share capital out of circulation.

The narrow range of most Asian markets has made them especially difficult for foreigners, since overseas investors can trade only in stocks that are sufficiently capitalized to allow for block trading and easy entry and exit.

Through the region, this has led to two-tier trading, in which price-to-earnings ratios of stocks available to foreign investors are far higher than market averages.

In Manila, for instance, there are only half a dozen stocks, according to most analysts, in which overseas fund managers would take an interest.

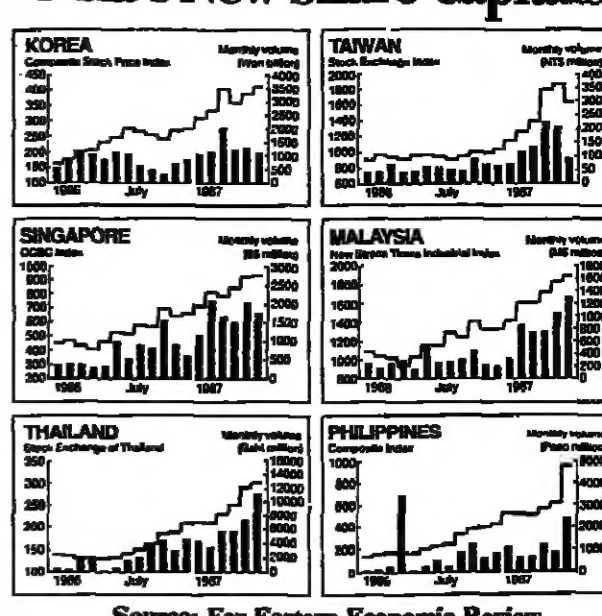
In Kuala Lumpur there are twice that number, but they are trading at multiples up to four times higher than the market as a whole.

In markets such as Singapore and Thailand, where there are limits on the percentage of a stock foreigners as a group can hold, premiums of 5 percent to 15 percent above the market price are commonly paid in off-market transactions.

"The No. 1 challenge in all of these markets is to expand the supply of tradable stock," said Marshall Auerback, a director at C.T. Management (Asia) Ltd. "Outright buy-outs will eventually walk away."

There have been a variety of efforts to address this challenge. Most are aimed at overcoming a longstanding fear among Asian corporate families that distributing even a minority shareholding would mean losing control of assets.

## Asia's New Share Capitals



Source: Far Eastern Economic Review

In South Korea, such efforts are not altogether friendly. Based on assessments of size, performance and corporate debt, government authorities annually target a group of companies that they will require to list on the Korea Stock Exchange.

About 40 South Korean companies are expected to be listed this year, compared with 13 in 1986. "This isn't a very subtle exercise," said W. Todd Kilborn, senior analyst in Seoul for James Capel & Co.

"Since there's nothing the authorities can do about demand, they are very concerned with improving supply."

But the reluctance of local corporations to offer shares publicly is only part of the problem with Asia's small markets, many analysts and fund managers assert. More than anything else, they say, the underdevelopment of these markets reflects a longstanding lack of commitment from financial authorities.

Because of a strong speculative element in Asian equity markets, they have not been properly integrated into banking and financial systems, according to experts in the region. Regulation is often divided, and there is only limited consultation with market participants.

Every market in the region has tried to strengthen local brokerages, improve the quality of available research and develop better trading systems. Last month, for instance, the Bangkok exchange opened a second board through which overseas buyers can trade among themselves in stocks in which the limit of foreign ownership has been reached.

But many such efforts are rendered at least partly ineffective, analysts say, because they are not accompanied by coordinated efforts, at senior government levels, to improve the environment in which exchanges operate.

In tax policy, for example, most exemptions offered to listed companies are not sufficient to offset the advantages of remaining unlisted, chief of which is the ability to evade taxes by not declaring income.

For foreign investors, other problems arise in areas ranging from national accounting standards to foreign-exchange controls and international tax treaties.

Underlying official attitudes toward equity trading, many analysts suggest, is a deep distrust of free markets among government regulators in Asia.

It is the same sense of caution,

they said, that has prevented political freedoms from developing more rapidly.

"Current regulations tend to stifle activity," said Nik Mohamed Sidik, corporate finance manager at Arab-Malaysian Merchant Bank Bhd. in Kuala Lumpur. "We need a streamlined authority that not only regulates trading, but is aware of the need to develop it, too."

If there is an exception to this pattern, it is in Seoul, the largest of Asia's junior markets. Since official efforts to develop equity trading began in the early 1980s, a group of strong Korean brokers has emerged, along with local institutions and a number of locally managed mutual funds.

As in Taiwan, however, direct ownership of stock remains off limits to foreigners in South Korea. For the immediate future, both markets are likely to limit overseas investors to indirect holdings through funds.

In other markets, foreigners are devising new techniques to overcome the problems of underdevelopment. Several large U.S. securities houses have begun making their own markets in popular Singaporean and Malaysian stocks, for instance, which can enhance liquidity significantly.

To judge by statistics, Asian companies are slowly accepting the advantages of listing on the local exchange. Bangkok has half a dozen new listings in the pipeline, Kuala Lumpur almost as many. For many, the most compelling argument appears to be the health of the market itself.

"Asian entrepreneurs are becoming more accepting of equity financing," said Mr. Mobius, of Templeton. "They're learning that foreign investors are interested in a fair return, not in gaining management control."

Like other fund managers, Mr. Mobius believes the small size of Asia's emerging markets, and the prices they command, makes them vulnerable to a sudden drop in prices if sentiment changes among overseas investors.

As they mature, however, these exchanges are expected to resemble the Tokyo market, with its characteristic speculation and the importance placed on liquidity, more than New York or London.

## By Protecting Rain Forest, Bolivia Makes a Dent in Its Debt

By Philip Shabecoff

New York Times Service

WASHINGTON — In an arrangement hailed as the first of its kind, the Bolivian government has agreed to protect threatened tropical lowlands in return for a reduction of its foreign debt.

Under the agreement signed Monday at the Bolivian Embassy in Washington, Conservation International, a nonprofit U.S. group, bought \$650,000 of Bolivia's \$4 billion external debt. In return, Bolivia committed itself to setting aside 3.7 million acres (1.5 million hectares) in three conservation areas adjacent to the Beni Biosphere Reserve in the Amazon Basin.

Legislation is expected to be introduced soon in the House of Representatives requiring the United States to encourage international lending institutions, such as the World Bank, to set up similar "debt-for-nature" programs. In the

Senate, there are plans for legislation that would allow tax credits for commercial banks that forgive debts of countries that agree to such conservation.

The executive director of Conservation International, Peter Seligmann, cited a "global debt and environmental crisis."

"Environmental degradation and weak economies, deforestation and poverty, overpopulation and hunger are now recognized as clearly interrelated," he said. Many countries under pressure to pay off their external debt seek "quick-fix solutions" that use up their natural resources and thus their economic potential, Mr. Seligmann said.

The amount of money involved in the Bolivian exchange is a small fraction of the country's foreign debt. But Fernando Illanes de la Riva, Bolivia's ambassador to the United States, said at a news conference that the arrangement was

"a major breakthrough, not only as a means to reduce Bolivia's debt burden, but also as an effective way to protect the natural resources upon which our country's long-term economic health depends."

The 334,000-acre (134,300-hectare) Beni reserve was created in 1962 as a model for the protection of local ethnic groups as well as for the area's plants, animals and water. Under the agreement, the expanded reserve would have protection under law, rather than under a decree that could be withdrawn.

The added lands, owned by the Bolivian government, will serve as buffer zones around the reserve. The area, largely rain forest, supports 500 species of birds, 13 endangered species of plants and animals and more species of trees than all of North America.

Some of the forest is being cut down for cattle ranching and lumber operations. With the land

set aside for conservation reserves, the forest will be managed for "sustainable development," Mr. Illanes said. While there would be economic activity within the reserves, some sections would be completely protected for wildlife, for hunting by Indians or for other uses.

The Bolivian government also agreed to set up a \$250,000 trust fund to administer and protect the expanded reserve.

The \$650,000 in debt was bought for \$100,000, roughly an 85 percent discount, by Citicorp Investment Bank, acting as agent for Conservation International, from other lenders in the secondary market. The \$100,000 was supplied to Conservation International for the purpose by the Connecticut-based Frank Woodson Foundation. Donald Woodson, director of the foundation, said the foundation planned two other \$100,000 awards for similar projects.

**Tuesday's OTC Prices**  
NASDAQ prices as of 4 p.m. New York time.  
Via The Associated Press

12 Month High Low Stock Div. Yld. Sales in '86 High Low 4 P.M. Chg.

12 Month High	Low	Stock	Div. Yld.	Sales in '86	High	Low	4 P.M.	Chg.
A								
16	10	ADC		384	105	10	10	
16	10	ADK		38	105	10	10	
16	10	ADP		38	105	10	10	
16	10	ADG		38	105	10	10	
16	10	ADH		38	105	10	10	
16	10	ADI		38	105	10	10	
16	10	ADJ		38	105	10	10	
16	10	ADK		38	105	10	10	
16	10	ADL		38	105	10	10	
16	10	ADM		38	105	10	10	
16	10	ADN		38	105	10	10	
16	10	ADO		38	105	10	10	
16	10	ADP		38	105	10	10	
16	10	ADQ		38	105	10	10	
16	10	ADR		38	105	10	10	
16	10	ADS		38	105	10	10	
16	10	ADT		38	105	10	10	
16	10	ADU		38	105	10	10	
16	10	ADV		38	105	10	10	
16	10	ADW		38	105	10	10	
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16	10	ADP		38	105	10	10	
16	10	ADQ		38	105	10	10	
16	10	ADR		38	105	10	10	
16	10	ADS		38	105	10	10	
16	10	ADT		38	105	10	10	
16	10	ADU		38	105	10	10	
16	10	ADV		38	105	10	10	
16	10	ADW		38	105	10	10	
16	10	ADX		38	105	10	10	
16	10	ADY		38	105	10	10	
16	10	ADZ		38	105	10	10	
16	10	ADA		38	105	10	10	
16	10	ADB		38	105	10	10	
16	10	ADC		38	105	10	10	
16	10	ADD		38	105	10	10	
16	10	ADE		38	105	10	10	
16	10	ADF		38	105	10	10	
16	10	ADG		38	105	10	10	
16	10	ADH		38	105	10	10	
16	10	ADI		38	105	10	10	
16	10	ADJ		38	105	10	10	
16	10	ADK		38	105	10	10	
16	10	ADL		38	105	10	10	
16	10	ADM		38	105	10	10	
16	10	ADN		38	105	10	10	
16	10	ADO		38	105	10	10	
16	10	ADP		38	105	10	10	
16	10	ADQ		38	105	10	10	
16	10	ADR		38	105	10	10	
16	10	ADS		38	105	10	10	
16	10	ADT		38	105	10	10	
16	10	ADU		38	105	10	10	











